COPY

Baptist Memorial Rehab. Hospital

CN1212-061

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BAPTIST®
Memorial Health Care
350 N. Humphreys Blvd.
Memphis, Tennessee 38120

26-2
840

1584713

CHECK DATE	AMOUNT
12/12/12	45000.00

PAY Forty-five thousand and 00/100

TO THE ORDER OF
TENNESSEE HEALTH SERVICES
& DEVELOPMENT AGENCY
500 DEADERICK ST #850
NASVILLE TN 37243

THE FIRST TENNESSEE BANK, NA

Donald R Pounds
AUTHORIZED SIGNATURE

Stephen C. Fitzpatrick
AUTHORIZED SIGNATURE

⑈1584713⑈ ⑆064108249⑆ 000263494⑈

STATE OF TENNESSEE
Health Services and Dev Agency
Office 31607001
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CN1212-041

2012 DEC 14 PM 3 07

December 13, 2012

Melanie Hill, Executive Director
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Certificate of Need Application
Baptist Memorial Rehabilitation Hospital, G.P.

Dear Ms. Hill:

Enclosed are three copies of the Certificate of Need application for the rehabilitation facility at Baptist Memorial Rehabilitation Hospital, G.P. A check for $45,000.00 is enclosed for the review fee.

Thank you for your attention.

Sincerely,

Arthur Maples
Dir. Strategic Analysis

Enclosure

BAPTIST MEMORIAL HEALTH CARE • MEMPHIS, TENNESSEE 1584713

DATE	INVOICE NO.	P.O. NO.	AMOUNT OF INVOICE	DEDUCTIONS	BALANCE
12/11/12 **RG P/U E ROSE	3940 DEC12		45000.00	00.00	45000.00

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Stephen C. Fry Todd
AUTHORIZED SIGNATURE

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CERTIFICATE OF NEED APPLICATION

Baptist Memorial Rehabilitation Hospital, G.P.

December 2012

1. ***Name of Facility, Agency, or Institution***

Baptist Memorial Rehabilitation Hospital
Name

1238 and 1280 South Germantown Parkway and adjacent property at unspecified address
Street or Route

Shelby	Germantown	TN	38138
County	City	State	Zip Code

2. ***Contact Person Available for Responses to Questions***

Arthur Maples — Name
Dir. Strategic Analysis — Title
Baptist Memorial Health Care Corporation — Company Name
Arthur.Maples@bmhcc.org — Email address
350 N. Humphreys Blvd. — Street or Route
Memphis — City
TN — State
38120 — Zip Code
Employee — Association with Owner
901-227-4137 — Phone Number
901-227-5004 — Fax Number

3. ***Owner of the Facility, Agency or Institution***

Baptist Memorial Rehabilitation Hospital, G.P. — Name
901-476-2621 — Phone Number
5250 Virginia Way, Suite 240 — Street or Route
Williamson — County
Brentwood — City
TN — State
32027 — Zip Code

4. ***Type of Ownership of Control (Check One)***

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership	X	G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	
D. Corporation (For Profit)		I. Other (Specify)_____	
E. Corporation (Not-for-Profit)			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. ***Name of Management/Operating Entity (If Applicable)***

CHC Management Services, LLC
Name

5250 Virginia Way, Suite 240 — Williamson
Street or Route — County

Brentwood — TN — 32027
City — State — Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. ***Legal Interest in the Site of the Institution (Check One)***

A. Ownership		D. Option to Lease	X
B. Option to Purchase		E. Other (Specify)	
C. Lease of ____ Years			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. ***Type of Institution (Check as appropriate--more than one response may apply)***

A. Hospital		I. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty		K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Facility	X
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital		N. Non-Residential Methadone Facility	
G. Mental Health Residential Treatment Facility		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify)_____	
		Q. Other (Specify) _____	

8. **Purpose of Review** ***(Check) as appropriate--more than one response may apply)***

A. New Institution	X	G. Change in Bed Complement [*Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]*	
B. Replacement/Existing Facility			
C. Modification/Existing Facility			
D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) ()		H. Change of Location	X
E. Discontinuance of OB Services		I. Other (Specify)_____	
F. Acquisition of Equipment			

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

(Note: The beds below will be at the proposed new hospital, although the project involves a relocation of beds from an existing facility. Please refer to explanation below)

		Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A.	Medical					
B.	Surgical					
C.	Long-Term Care Hospital					
D.	Obstetrical					
E.	ICU/CCU					
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation *(Please see note below)*	0		0	49	49
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	0		0	49	49

*CON-Beds approved but not yet in service

Explanation Note** 49 IRF beds at Baptist Rehabilitation-Germantown will be delicensed at 2100 Exeter Road, Germantown, when the equivalent number of beds are opened and certified at the new proposed rehabilitation hospital. Therefore, this project will not add IRF beds to the community. It will improve existing capacities with a relocation of IRF beds.

10. **Medicare Provider Number** Rehab Facility will apply for new Number

Certification Type IRF

11. **Medicaid Provider Number** Rehab Facility will apply for new Number

Certification Type IRF

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?** Yes

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract.***

TN Care MCOs: BCBST Blue Care, TN Care Select, Americhoice

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

NOTE: ***Section B*** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. ***Section C*** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response:
The Executive Summary is provided on the following pages.

Executive Summary.

The inpatient rehabilitation unit at Baptist Rehabilitation – Germantown serves patients after stays at Baptist Memorial Hospital– Memphis and Collierville and other hospitals in the region by providing a comprehensive array of rehabilitation services to treat many types of injuries and conditions, such as stroke, arthritis, spine and back disorders and injuries, fractures, amputations, and spinal cord and head injuries. Baptist Rehabilitation – Germantown operates 49 inpatient rehabilitation beds in 21 semiprivate rooms and only 7 private rooms. Semi private rooms were the standard when the hospital was opened in the early 90's and rehabilitative care has developed over the years.

A new facility is now needed to better align patient services with patient needs and expectations and to support utilization of the entire 49 bed complement of the inpatient rehabilitation facility (IRF). Space is needed to support patient flow and service management in contiguous therapy, dining, and exercise areas. Private rooms will accommodate specific patient needs and expectations for comfort and convenience. Private rooms will also eliminate problems in matching appropriate patients in semi-private rooms which hampers utilization. However, an addition at the existing rehabilitation location isn't feasible.

Constructing a modern inpatient rehabilitation facility (IRF) to serve the same community and relocating the 49 rehabilitation beds to it will provide better access and improve utilization without adding new rehabilitation beds. A comfortable care environment will support patients' efforts to return to normal function and promote staff cohesion, communication, productivity and satisfaction.

Upon completion of the proposed facility, Baptist Rehabilitation –Germantown ("BRG") will delicense its 49 inpatient rehabilitation beds. BRG will continue to provide outpatient rehabilitation services and to operate its existing 18- bed skilled nursing unit.

Proposed Services & Equipment

Baptist Memorial Health Care and Centerre Healthcare have formed a joint venture that proposes to establish and operate a brand new, state-of-the-art 49 bed (all private rooms) freestanding inpatient rehabilitation hospital approximately 2.5 miles away from the current facility. Although a new rehabilitation hospital will be built, bed capacity will be improved by making existing beds more functionally accessible rather than by adding new ones. If approved, Baptist Rehabilitation – Germantown will continue to provide inpatient rehabilitation services during the development of the new hospital, thus eliminating/limiting any gap in service.

The proposed new hospital will have the needed additional space, as well as added features and specialized equipment that allow for the expansion of services and enhancements to create more program specialization. For example,

- The entire specialty hospital is designed to meet the needs of persons with a disabling condition including all private, ADA compliant patient rooms and bathrooms (not all patient rooms in current facility are ADA compliant) with features that assist the person with a disability to become more independent.
- The Activity of Daily Living (ADL) space or room allows family members the ability to practice safe techniques such as bathing, transferring from bed to chair, etc. prior to taking the patient home. This reinforces family learning and helps with successful discharge to home.

- The mobility courtyard includes simulation of curbs, rough and smooth services, and various depths of steps. Practice on these skills allows persons to be mobile in the community.
- Larger therapeutic gym space allows patients to receive their therapeutic exercises and training in an environment where they are able to see other patients with disabilities making progress, thus serving as support to help each patient progress toward their goals
- The addition of private treatment rooms allow for a flexible environment, depending on patient needs. Large common areas allow for improved socialization skills when recovering from a disabling condition.
- A specialized Stroke/Neurological Unit (24-26 beds) to meet the needs of the approximately 3,000 MDC 1 (Diseases and Disorders of the Nervous System – See Exhibit B.1) patients being discharged by Baptist Memorial and other hospitals in a safe and "secure" environment. This specialized unit is self contained, including dedicated therapy and treatment space. It is difficult for an older facility with primarily semi-private rooms to modify the environment to apply such safety features and specialized treatments. The hospital would also offer specialized programming to serve the needs of Baptist Memorial's significant Brain Injury patient population.

Ownership Structure

The new hospital will be owned and operated by the partnership formed by an affiliate of Baptist Memorial Health Care and an affiliate of Centerre Healthcare. Baptist Memorial has a 55% ownership interest and Centerre Healthcare completes the additional 45% interest. A Board of Directors comprised of members from both parties will govern the operations of the new hospital and will ensure that Baptist Memorial Health Care Corporation's Ethical and Religious Directives (ERD's) and Charity Policies are followed. A third party developer or REIT will purchase/develop the land and building and lease it back to the joint venture. (See Joint Venture Ownership Structure – Exhibit B.3)

Service Area

The service area for the proposed hospital will continue to be primarily Shelby County where more than 70% of inpatients originate. Many patients at the current rehabilitation facility have been discharged from Baptist Memorial Hospital – Memphis or Baptist Memorial Hospital – Collierville to the Germantown Rehabilitation facility.

Need

Upon completion of the proposed facility, Baptist Rehabilitation-Germantown will delicense its 49 inpatient rehabilitation beds. Thus, the proposed project will not add beds to the service area but will provide an inpatient rehabilitation facility that has all ADA compliant, private rooms and state-of-the-art equipment and facilities. These improvements will allow more effective capacity (semi-private rooms limit capacity due to gender issues, disease control issues, etc.), establish a "Center of Excellence" for the greater Memphis area (See Exhibit B.4 - Centerre Clinical Indicators for Centerre's outstanding clinical outcomes) and better serve the community by creating specialized programs for stroke, neurological disorders and brain injury patients.

The increased capacity and specialized programming will strengthen the post-acute continuum and maintain highly acute patient populations. Enhancing the ability to care for medically complex patients will reduce the likelihood of readmissions and thus reduce the overall cost of care.

Existing Resources

There are 5 hospitals in Shelby County with certified inpatient rehabilitation beds (including Baptist Rehabilitation – Germantown) and the total number of beds in service is 218. Since this project does not add beds and serves the same area, this project will not impact the other facilities.

Project Cost, Funding, Financial Feasibility and Staffing

- Total Project Costs are estimated to be approximately $33,167,900 including lease costs in the total amount of $830,286,183 over the initial term of the lease.
- As demonstrated in the Projected Data Chart (Exhibit C: Economic Feasibility.4), the proposed new hospital will operate with a slight negative financial margin in Year 1. Start-up costs inherent in developing and operating the new hospital will contribute to the negative margin. Additionally, the new hospital will obtain a provider number and go through licensure and certification and will therefore ramp slowly over the first three months of operation. Beginning in Year 2, the proposed hospital will operate with a positive financial margin. The proposed hospital will have effectively the same charge structure as the current unit at Baptist Rehabilitation – Germantown.
- At maturity, it is anticipated that the new hospital will require approximately 130 total FTE's – clinical and non-clinical; nurses, therapists, and administrative staff (primarily recruited from existing Baptist Memorial locations). A CEO will be hired to manage the day-to-day operations of the hospital. The CEO will report to a Board of Managers, with equal representation from both Baptist Memorial and Centerre. The Board of Managers will work closely with a Community Advisory Committee. A Medical Director will be appointed to oversee and implement the clinical programming for the hospital. (See Exhibit B.5 for Hospital Organization Chart, with additional oversight roles).

Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response:

See Exhibit B.II.a (Square Footage and Cost per Square Footage Chart) for detail regarding units/departments within the proposed new hospital. The completed hospital will include 49 ADA compliant, private patient bedrooms with private bathrooms. Additionally, the hospital will have a kitchen and cafeteria, ADL space, therapeutic gym space, mobility courtyard, and other staff support offices and spaces (nursing, therapy, administrative).

The hospital will be designed to accommodate specialized programs for stroke and neurological disorders. The project involves approximately 59,400 sq. ft. of new construction. As shown on the Square Footage and Cost per Square Footage Chart, the construction costs for the project are estimated at $15.4M (or $259.66/sq ft. (See Exhibit B.II.a)).

The building will be developed by a 3rd party developer or REIT. Construction cost per square foot for hospital projects approved by the HSDA for the years 2009-2011 are illustrated below. The cost per square foot for the proposed hospital is consistent with ranges of those projects, being below the median for new hospital construction:

Figure B.II.a

Hospital Construction Cost per Square Foot
Source: CON Approved Applications for Years 2009 through 2011

Subpopulations	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response:

This application requests the establishment of a new inpatient rehabilitation hospital with 49 beds. However, since the existing facility will delicense 49 beds, the practical effect is relocation of 49 inpatient rehabilitation beds. As previously mentioned, relocation of the beds from the current location to the new hospital will allow for increased capacity and specialized programming with all ADA compliant private rooms, state-of-the-art equipment and facilities.

Square Footage and Cost Per Square Footage Chart

A. Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final	Proposed Final Square Footage			Proposed Final Cost/SF		
					Renovated	New	Total	Renovated	New	Total
ADL Suite						546	546		$ 259.66	$ 141,774
Administration						2,897	2,897		$ 259.66	$ 752,235
Dayroom						664	664		$ 259.66	$ 172,414
Dietary						3,528	3,528		$ 259.66	$ 916,080
Dining						1,093	1,093		$ 259.66	$ 283,808
Gym						5,359	5,359		$ 259.66	$ 1,391,518
Gym (Brain Injury)						689	689		$ 259.66	$ 178,906
Lab						75	75		$ 259.66	$ 19,475
Lobby						1,739	1,739		$ 259.66	$ 451,549
Patient Rooms						8,691	8,691		$ 259.66	$ 2,256,705
Patient Rooms (Brain Injury)						4,233	4,233		$ 259.66	$ 1,099,141
Patient Rooms (Stroke)						4,354	4,354		$ 259.66	$ 1,130,560
Pharmacy						348	348		$ 259.66	$ 90,362
Speciality Bathing						150	150		$ 259.66	$ 38,949
Storage						1,725	1,725		$ 259.66	$ 447,914
Support						6,314	6,314		$ 259.66	$ 1,639,493
B. Unit/Depart. GF Sub-Total						***42,405***	***42,405***		***$ 259.66***	***$ 11,010,882***
C. Mechanical/Electrical GSF						1,955	1,955		$ 259.66	$ 507,635
D. Circulation/Structure GSF						15,040	15,040		$ 259.66	$ 3,905,286
E. Total GSF					-	59,400	59,400	$ -	$ 259.66	$ 15,423,804

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. **Rehabilitation Services**
21. Swing Beds

Response:

This application is necessary to continue providing an essential level of patient care in the most effective manner possible. The service configuration for the inpatient rehabilitation unit that has been in place since the early 90's relies heavily on semi-private rooms at Baptist Rehabilitation -Germantown. Improvements cannot feasibly be accomplished without adding space. The proposed new inpatient rehabilitation facility will be licensed as a freestanding Rehabilitation Hospital. The inpatient rehabilitation beds at the rehabilitation unit will cease and beds at the hospital will begin without adding beds in the community. It is an improvement in the functionality of existing resources.

The system that identifies patients whose needs are appropriately served by IRFs has changed over the years through adjustments in the Medicare payment system. Inpatient rehabilitation is particularly effective for patient populations with a large number of stroke/neurological disorders, as well as musculoskeletal and medically complex disabling conditions, a majority of which fall within the nervous system disorders or Major Diagnostic Category 1 (MDC 1). Baptist Memorial Hospital in Memphis and Collierville is responsible for a large population of patients with these diagnoses (approximately 3,000 total MDC 1 discharges in Shelby County). By developing the 60% Rule and CMS 13 criteria (See Exhibit C: Need.6); CMS has specifically encouraged inpatient rehabilitation providers to assume responsibility for these types of patients. Establishing a state-of-the-art freestanding rehabilitation hospital, with specialized clinical services focused on such conditions ensures that the capability of providing high quality care will be available to these patients.

Baptist's commitment to providing high quality services is demonstrated by the CARF accreditation for Stroke and Brain Injuries. CARF is an independent, nonprofit organization that focuses on advancing the quality of services and evaluating healthcare providers' commitment to continually improving services and serving the community. The new hospital expects to achieve CARF accreditation for these specialties as part of its mission to enhance the specialized programs that Baptist provides to the Memphis and Shelby County community. In this way, the joint venture will establish a "Center of Excellence" that is not currently available to the community.

Sufficient capacity and adequate facilities to continue providing effective care in an efficient and effective manner involves attention to the needs of professionals who provide the care. The proposed new hospital will add no new beds to the service area but will provide the community with an inpatient rehabilitation facility that has all ADA compliant, private rooms (49) and state-of-the-art equipment in a patient oriented facility equipped to continue improvements in specialized programs such as the stroke/neurological and brain injury patient populations.

The over 65 population cohort for Shelby County is growing at a rate that exceeds population growth for the state of Tennessee overall (see Figure C: Need.4.1). For rehabilitation patients currently served, more than 60% of the patient mix for the current hospital and the proposed hospital are Medicare patients. It is important that the adequate capacity be available to appropriately meet the needs of these patients.

D. Describe the need to change location or replace an existing facility.

Response:

While technically not a relocation, the project, practically speaking will relocate a service so that resources can be more effectively utilized by the community. The current inpatient rehabilitation beds are located in mostly semi-private rooms in a facility that cannot feasibly expand. The proposed new state-of-the-art facility will increase the inpatient rehabilitation capacity and allow improvements in service that will increase patient access and encourage participative effort in specialized therapies, and improve satisfaction.

Renovation of the current facility to provide all ADA compliant, private rooms is not feasible.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

Response:

N/A Not applicable

1. For fixed-site major medical equipment (not replacing existing equipment):
   a. Describe the new equipment, including:
      1. Total cost ;(As defined by Agency Rule).
      2. Expected useful life;
      3. List of clinical applications to be provided; and
      4. Documentation of FDA approval
   b. Provide current and proposed schedules of operations
2. For mobile major medical equipment
   a. List all sites that will be served;
   b. Provide current and/or proposed schedule of operations;
   c. Provide the lease or contract cost.
   d. Provide the fair market value of the equipment; and
   e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include**:

1. Size of site (***in acres***);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Response:

The size of site is 6.1 acres. Please see Exhibit B.III.A for detailed plot plan.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

(B) 1 Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response:

Public transportation is easily accessible on Germantown Parkway and Wolf River Boulevard (shown in the plot plan). The site is located on an intersection that allows for direct access (one street, within five miles) to I40, I240, and Hwy 385.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

Response:

Please refer to Exhibit B.IV for detailed floor plan drawings and square footage by department.

NOTE: ***DO NOT SUBMIT BLUEPRINTS***. Simple line drawings should be submitted and need not be drawn to scale.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

Response:

Not applicable

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

   Response

   The proposed hospital will support all Five Principles established by the state of Tennessee to promote the health of Tennesseans and to implement the State Health Plan:

The Framework for Tennessee's Comprehensive State Health Plan

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan.

(1) Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and or genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

Response:

The proposed new hospital will improve the coordination and scope of services offered to patients in need of specialized medical rehabilitation through the designated 24-26 bed stroke/neurological unit. The design of the new hospital with its' designated specialty units and specialized services will offer a more comprehensive medical rehabilitation service for those patients.

(2) **Access to Care**

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

Response:

The proposed new rehabilitation hospital will improve access to specialized medical rehabilitation services in the community and surrounding region. The adoption of Baptist Memorial's ERDs and charity policies will ensure that the Baptist Memorial's mission continues to guide admission policies.

3. **Economic Efficiencies**

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

Response:

By reassigning existing beds to the new environment specially designed for the needs of those with disabling conditions, there is an improvement in access to and improved efficiency for specialized services as well as enhanced medical rehabilitation.

4. **Quality of Care**

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

Response:

The new technologies and electronic health record tools will ensure that patient information is appropriately accessible to providers and that patient treatments can be monitored. The environment of the new specialty rehabilitation hospital, with features that allow the person with a disability to achieve an improved level of independence upon discharge, minimizes the risk of readmission to acute care

5. **Health Care Workforce**

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

Response:

This project consolidates resources including healthcare professionals who are already engaged in providing the services. By dedicating space and equipment for specialized services such as Traumatic Brain Injury, Spinal Cord Injury, Stroke and other disabling conditions, the new hospital will play a significant role in recruiting more specialized healthcare professionals, including

Physicians Specializing in Physical Medicine and Rehabilitation, Rehabilitation Nursing, and Physical, Occupational and Speech language Pathologists.

a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response:
Although this application does not propose additional bed capacity or new services in the community, responses to the criteria for Comprehensive Inpatient Rehabilitation Services and Construction, Renovation, Expansion, and Replacement of Health Care Institutions are provided on the following pages.

COMPREHENSIVE INPATIENT REHABILITATION SERVICES

1. The need for comprehensive inpatient rehabilitation beds shall be determined by applying the guideline of ten beds per 100,000 population in the service area of the proposal.

   Response

   The primary service area of the proposal is Shelby County. Statistics from the Department of Health website indicate the population of Shelby County is 949,665 in 2012 and will be 976,726 in 2016. At 10 beds per 100,000, the need is 95 (rounded) beds in 2012 and will be 98 (rounded) in 2016.

2. The need shall be based upon the current year's population and projected four years forward.

   Response

   As described above, at 10 beds per 100,000, the need is 95 (rounded) beds in 2012 and will be 98 (rounded) in 2016.

Although the need is based on population, other characteristics of patient need include the age cohorts of the population and the type of rehabilitation care needed. CMS has identified 13 types of care that are appropriate for inpatient rehabilitation facilities. As discussed in other sections of the application, Centerre Healthcare has applied it's methodology to patients who are discharged from BMH-Memphis and BMH-Collierville. Patients from those two facilities alone demonstrate sufficient support for the proposed 49 bed facility. The result of the analysis is displayed in the following table:

Rehabilitation Bed Need Analysis
Baptist Memorial Hospital - Memphis & Collierville

Source: Hospital Data - Baptist Memorial Date Period: FY 2010				All Payor Cases		
Diagnostic Category	Total of All Payor Cases	Average Length of Stay	Percent Requiring Rehab	Rehab Aprop. Cases	Projected Rehab Patient Days	Projected Rehab ADC
Stroke	1,242	17.6	40%	497	8,744	24.0
Traumatic Brain Injury	271	17.6	30%	81	1,431	3.9
Non Traumatic Brain Injury	241	15.6	30%	72	1,128	3.1
Traumatic Spinal Cord Injury	-	27.2	50%	-	-	-
Non Traumatic Spinal Cord Injury	18	18.0	25%	5	81	0.2
Neurological	812	14.3	40%	325	4,645	12.7
Fracture of lower extremity	312	13.8	25%	78	1,076	2.9
Replacement of lower extremity joint	709	10.8	5%	35	383	1.0
Other Orthopedic	379	12.7	15%	57	722	2.0
Amputation, lower extremity	76	13.5	15%	11	154	0.4
Amputation, non-lower extremity	4	13.1	10%	0	5	0.0
Osteoarthritis	-	11.3	10%	-	-	-
Rheumatoid	-	10.6	10%	-	-	-
Cardiac	-	11.9	10%	-	-	-
Pulmonary	-	12.9	1%	-	-	-
Pain Syndrome	-	10.5	1%	-	-	-
MMT without Brain or Spinal Cord Injury	52	13.8	50%	26	359	1.0
MMT with Brain or Spinal Cord Injury	1	21.6	50%	1	11	0.0
Guillan Barre	-	14.0	80%	-	-	-
Burns	6	16.5	25%	2	25	0.1
	4,123			1,190	18,763	51.4

ALL PAYOR	
Estimated All Payor ADC	51.4
Selected DRGs	
Adjusted 35% for all other DRG's	79.1
Add additional 35% for non-compliant cases	

Please Note: ALOS has been updated as of 4/25/11 by the Nation Adjusted Mean LOS from UDS.

3. Applicants shall use a geographic service area appropriate to inpatient rehabilitation services .

   Response:

   As previously presented, based on patient origin, more than 70% of the current patients at Baptist Memorial-Germantown originate from Shelby County. More than 77% originate from Shelby, Fayette and Tipton Counties.

4. Inpatient rehabilitation units in acute care hospitals shall have a minimum size of 8 beds.

   N/A Not Applicable

5. Freestanding rehabilitation hospitals shall have a minimum size of 50 beds.

   Response

   For conservative planning and implementation, this proposal maintains the same number of beds at the new hospital as the same number of beds that are at Baptist Rehabilitation- Germantown at 49 beds.

   An additional bed can be accommodated at the new facility if the Agency determines that it is needed.

6. Additional inpatient rehabilitation beds, units, or freestanding hospitals should not be approved by the HFC unless all existing units or facilities are utilized at the following levels:

20-30 bed unit	~ 75%
31-50 bed unit/facility	~ 80%
51 bed plus unit/facility	~ 85%

   Response

   This application does not propose adding new inpatient rehabilitation beds to the community. As discussed in response to items 1 and 2 above, discharges from hospitals operated by Baptist Memorial Health Care are sufficient to utilize the beds proposed for the hospital alone.

7. The applicant must document the availability of adequate professional staff, as per licensing requirements, to deliver all designated services in the proposal. It is preferred that the medical director of a rehabilitation hospital be a board certified physiatrist.

   Response

   Since the proposed hospital will contain relocated beds that are currently in use, and one of the partners has access to resources for staffing throughout the wider region, the applicant has a source for staffing the proposed project.

   Positions are shown on the following page.

Paid FTE's by Category	Year 1	Year 2
Nursing	61	63
Therapy	24	24
Admin/Non-Clinical	46	50
Total	131	137

TITLE	End of Year 1	End of Year 2
	FTE	FTE
Nursing		
RN's	19.8	20.3
LPN's	12.9	13.2
Aides	17.1	17.6
Charge Nurse	4.2	4.2
Total Nursing FTE's	54.0	55.3
Total Paid Nursing FTE's	61.5	62.9
Therapy		
Physical Therapists	6.3	6.3
PTA	3.0	3.0
Occupational Therapists	5.5	6.0
COTA	3.0	3.0
Techs	-	-
SLPs	3.0	3.0
Total Therapy FTE's	20.8	21.3
Total Paid Therapy FTE's	23.6	24.2

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.
N/A Not Applicable

2. For relocation or replacement of an existing licensed health care institution:
N/A Not Applicable

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

3. For renovation or expansions of an existing licensed health care institution:
N/A Not Applicable.

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

   b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response:

This application represents a relocation of services rather than a change of site for a health care institution. However, responses to the General Criterion and Standards (4)(a)-(c) are addressed as follows:

(a)*Need.* The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

Response

The proposed site for the new Rehabilitation is less than 2.5 miles from the current service location in Germantown. The Inpatient Rehabilitation Facility will be no less conveniently accessible to the population of the service area. In addition to being an established service in the community, the description provided in Section C:Need, Question 6 of this application demonstrates continuing need for the service in an improved setting. The new site will continue to provide convenient access for the patients served.

(b)*Economic Factors.* The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

Response

See the response to item (a) above. As stated above, the charge schedule of the current hospital will be the same charge schedule as the new hospital and the Board of Managers will be governed by the ERD's. Additionally, the benefits of having specialized services in a new state-of-the-art-facility will enable Baptist Memorial to reduce the cost of service.

(c)*Contribution to the orderly development of health facilities and/or services.* The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such changes delays are outweighed by the benefits that will be gained from the change of site by the population to be served.

Response

The current hospital will operate at least until the new hospital is opened, thus eliminating/limiting any gap in provision of the service. Additionally, the new facility is in close proximity of the existing facility, therefore established referral patterns will be maintained.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response:

The Baptist Memorial Health Care system continuously reviews health needs throughout the region and is committed to providing Mid-South patients, families, and physicians with the assurance and confidence that comes from excellent, compassionate, advanced care in the most effective manner possible.

The proposed Baptist Rehabilitation Hospital will improve the delivery system using existing capacities in new surroundings. The strength from collective services for treating inpatient rehabilitation patients will be more easily accessible to the people who need it most. The Baptist Memorial system has approximately 3,000 MDC 1 (Diseases and Disorders of the Nervous System) patients. As described in detail later in this document (Section C: Need, Question 6), CMS has encouraged the inpatient rehabilitation industry to focus on these types of diagnoses (Stroke, Neurological Disorders, Brain Injury, etc.) as the types of patients most likely to require and benefit from inpatient rehabilitation.

Centerre's model identifies the treatment needs for these patients since the high volume being treated by Baptist Memorial Health Care in the Memphis area is a significant factor in the need for the proposed hospital. Consequently, it is proposed that the new hospital will have all ADA compliant, private rooms with a 24-26 bed specialized stroke/neurological unit and specialized programming for Brain Injuries.

This project continues to be consistent with the long range development plan of Baptist to accommodate the health needs of the community it serves while maintaining patient, physician and staff satisfaction with high quality and safety.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response:

A map is provided as Exhibit C: Need.3 (Service Area Maps). The Service Area is reasonable since it represents the origin of patients. The primary service area is Shelby County in Tennessee. An expanded secondary area will include all of the West Tennessee counties which will be served by the proposed new hospital. More than 75% of inpatient admissions reside in the primary Shelby County and secondary Fayette and Tipton County area.

4. A. Describe the demographics of the population to be served by this proposal.

Response:

The estimated population for this year and the next 4 years is provided for primary service area of Shelby County and the secondary areas of Tipton and Fayette counties in the following Chart.

Tennessee Population by County
Source: TN Department of Health

COUNTY	2012	2013	2014	2015	2016
Shelby	949,665	956,126	963,097	970,591	976,726
Fayette	39,245	39,818	40,435	41,105	41,453
Tipton	62,952	63,857	64,813	65,839	66,587
TOTAL	1,051,862	1,059,801	1,068,345	1,077,535	1,084,766

	2010			2018		
County	Total Population	under 60	over 60	2018	under 60	over 60
Shelby	918,680	771,060	147,620	938,404	749,862	188,542
Tipton	60,340	50,550	9,790	66,953	54,078	12,875
Fayette	41,553	34,383	9,535	51,076	41,973	9,103

Population	Growth 2010 - 2018		
County	Growth	Growth under 60	Growth over 60
Shelby	2.1%	-2.7%	27.7%
Tipton	11.0%	7.0%	31.5%
Fayette	22.9%	22.1%	-4.5%

According to the U.S. Census Bureau, the population estimate of Shelby County in 2011 was 935,088. It is Tennessee's largest county in both size and population. The state projects the total population in Shelby County will grow by 7.55% by the year 2020. The Tennessee Department of Health estimates that Shelby County will see an increase in population for those 65 and older (population most likely to require inpatient rehabilitation) by 35.6% by 2020 (compared to 26.3% for the state of Tennessee). The level of poverty in Shelby County exceeded the Tennessee average by 3.2% while the median household income from 2006-2010 was $44,705 (Tennessee average is $43,314).

Primary Service Area Demographic Data

Demographic/ Geographic Area	Shelby County	State of TN Total
Total Population - 2011 (est)	935,088	6,403,353
Total Population - 2020 (est)	1,005,678	6,785,100
Total Population Change	7.55%	5.96%
Age 65 & Over - 2011	97,249	877,259
Age 65 & Over - 2020 (est)	131,831	1,107,943
Age 65 & Over Population Change	***35.56%***	***26.30%***
Median Household Income (2006 - 2010)	$ 44,705	$ 43,314
Persons below poverty level % (2006 - 2010)	19.7%	16.5%

Sources: TDH Population projections, Feb. 2008; U.S. Census QuickFacts

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response

The proposed new freestanding inpatient rehabilitation hospital will provide treatment services to the residents without regard to race, ethnic origin, ability to pay, religion, sex, or disability and will accept both Medicare and TennCare patients. As previously mentioned, a large majority of its services will be provided for the 65 and older community, which is growing faster in Shelby County than in Tennessee as a whole. In addition, the rehabilitation hospital will adhere to Baptist Memorial's ERD's and charity policy.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response

Figure C: Need.5 on the following page shows the utilization that is reported on their Joint Annual Reports (JAR) from 2009 through 2011.

While all four providers in the service area averaged 68.9% in CY 2011, the two HealthSouth averaged 73.9% occupied (93.5% for HealthSouth North Memphis with 40 beds and 66.9% for HealthSouth Memphis with 80 beds). The applicant again points out that a new-state-of-the-art freestanding rehabilitation hospital with specialized programs and units as well as all private rooms is what the Memphis market needs for the projected aging population (see Figures C:Need.4.1 – C: Need.4.3 on the previous page). Additionally, the applicant is not requesting additional beds, but only to relocate the existing beds to a more efficient/appropriate setting.

Figure C: Need.5

Utilization of Acute Inpatient Rehabilitation Beds

Primary Service Area of Baptist Rehabilitation - Germantown

Joint Annual Report (JAR) Information: 2009 - 2011

	2009				
Inpatient Rehabilitation Provider	**Beds**	**No. of Discharges**	**Days**	**ADC**	**Occ**
HealthSouth Rehab of Memphis	80	1,541	20,052	54.9	68.7%
HealthSouth Rehab of N. Memphis	40	1,010	12,307	33.7	84.3%
Saint Francis Hospital	29	270	4,526	12.4	42.8%
Regional MC at Memphis	20	362	7,238	19.8	99.2%
Primary Service Area Totals	**169**	**3,183**	**44,123**	**120.9**	**71.5%**

	2010				
Inpatient Rehabilitation Provider	**Beds**	**No. of Discharges**	**Days**	**ADC**	**Occ**
HealthSouth Rehab of Memphis	80	1,511	19,879	54.5	68.1%
HealthSouth Rehab of N. Memphis	40	1,049	13,116	35.9	89.8%
Saint Francis Hospital	29	146	2,245	6.2	21.2%
Regional MC at Memphis	20	380	7,191	19.7	98.5%
Primary Service Area Totals	**169**	**3,086**	**42,431**	**116.2**	**68.8%**

	2011				
Inpatient Rehabilitation Provider	**Beds**	**No. of Discharges**	**Days**	**ADC**	**Occ**
HealthSouth Rehab of Memphis	80	1,582	19,529	53.5	66.9%
HealthSouth Rehab of N. Memphis	40	1,073	13,657	37.4	93.5%
Saint Francis Hospital	29	144	2,296	6.3	21.7%
Regional MC at Memphis	20	327	6,990	19.2	95.8%
Primary Service Area Totals	**169**	**3,126**	**42,472**	**116.4**	**68.9%**

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response

Figure C: Need.6.1 on the next page outlines BRG's utilization for the past 3 years. Even though the Baptist system easily has the rehab bed need to fill up a 49 bed freestanding rehabilitation hospital, their average daily census (ADC) has dropped each year because of semi-private rooms and limitations to most effectively providing specialized programming in the current setting.

Figure C: Need.6.1

Utilization of Acute Inpatient Rehabilitation Beds

Baptist Rehabilitation - Germantown

Inpatient Rehabilitation Provider	Year	Beds	No. of Discharges	Days	ADC	Occ
Baptist Rehabilitation - Germantown	2009	68	988	13,082	35.8	52.7%
Baptist Rehabilitation - Germantown	2010	68	803	10,290	28.2	41.5%
Baptist Rehabilitation - Germantown	2011	49	626	8,819	24.2	49.3%
Baptist - Germantown (3 Year)	**NA**	**.85**	**2,417**	**32,191**	**88.2**	**47.7%**

Source: TN Dept of Health Joint Annual Report (JAR) - http://health.state.tn.us/PublicJARS/Default.aspx

Note: 2009 and 2010 stats are from pg. 13. 2011 stats are from pg. 24.

Utilization Projections:

According to CMS, "The 60 percent rule, formerly known as the 75 percent rule, is a criterion used to define inpatient rehabilitation facilities in order for them to receive payment as an IRF. The rule requires that at least 60 percent of cases an IRF admits have one or more selected conditions. The 13 qualifying medical conditions used to classify a facility as an IRF are:"

- stroke
- spinal cord injury
- congenital deformity
- amputation
- major multiple trauma
- hip fracture
- brain injury
- neurological disorders
- burns
- 3 arthritis conditions for which appropriate, aggressive, and sustaine outpatient therapy has failed, and
- joint replacement for both knees or hips when the surgery immediatel precedes admission, when the BMI >= 50, or age 85+

Please see Exhibit C: Need.6 – CMS 60% Rule for further explanation.

The state of Tennessee's calculation for need of inpatient rehabilitation beds is determined by applying the guideline of ten beds per 100,000 of population in the service area. The population of Shelby County in 2011 was 935,088 (See Figure C: Need.4.1). At 10 beds per 100,000 persons, this methodology would identify a need of 94 beds. However, the calculations ignore the status of Memphis as a medical center serving a multi-state region.

Centerre's hospital specific MS-DRG methodology is more precise because it captures the actual volume of certain diagnoses that utilize inpatient rehabilitation facilities (IRF), such as Stroke, Brain Injury, Fracture Hip, etc. and applies a percent to IRF for each of the selected MS-DRGs. Given Baptist Memorial's significant number of cases that meet the 60% rule, this methodology most accurately reflects need. Additionally, the methodology applies greater weight to stroke, trauma, and neurological impairment categories of patients in need of specialized programs.

Below, Figure C: Need.6.2 shows the need projected for Baptist Memorial. The model uses a percentage of each Rehabilitation Impairment Category (RIC) based on Centerre Healthcare's experience with six operating rehabilitation hospitals by assigning definitively compliant MS-DRGs to a RIC. Next, an Average Length of Stay (ALOS) was assigned based on the Uniform Data System (UDS is a collection of over 830 inpatient rehabilitation hospitals and units' clinical data). The UDS nation adjusted mean was used for the ALOS to calculate the number of days.

Step 1: The applicant used Baptist Memphis and Collierville's all payer data from 2010. There were 30,086 total discharges, 4,123 met the 13 qualifying medical conditions for the 60% rule.
Step 2: The next step is to determine how many of these 4,123 compliant discharges would be appropriate for rehab (see calculations on Figure C: Need.6.2).
Step 3: Calculate the number of patient days (take the ALOS for each RIC and multiply by the number of cases – see calculations on Figure C: Need.6.2).
Step 4: Calculate the Average Daily Census (ADC) by dividing the number of patient days by 365 (see calculations on Figure C: Need:6.2). This gives us a compliant ADC of 51.4.
Step 5: Calculate the Average Daily Census for the non-compliant cases. This model assumes that only 35% would be non-compliant cases (even though CMS allows 40% of cases to be non-compliant). This gives us a non-compliant ADC of 27.7 and a total rehab ADC of 79.1.

Figure C: Need.6.2

Rehabilitation Bed Need Analysis
Baptist Memorial Hospital - Memphis & Collierville

Source: Hospital Data - Baptist Memorial Date Period: FY 2010				All Payor Cases		
Diagnostic Category	Total of All Payor Cases	Average Length of Stay	Percent Requiring Rehab	Rehab Aprop. Cases	Projected Rehab Patient Days	Projected Rehab ADC
Stroke	1,242	17.6	40%	497	8,744	24.0
Traumatic Brain Injury	271	17.6	30%	81	1,431	3.9
Non Traumatic Brain Injury	241	15.6	30%	72	1,128	3.1
Traumatic Spinal Cord Injury	-	27.2	50%	-	-	-
Non Traumatic Spinal Cord Injury	18	18.0	25%	5	81	0.2
Neurological	812	14.3	40%	325	4,645	12.7
Fracture of lower extremity	312	13.8	25%	78	1,076	2.9
Replacement of lower extremity joint	709	10.8	5%	35	383	1.0
Other Orthopedic	379	12.7	15%	57	722	2.0
Amputation, lower extremity	76	13.5	15%	11	154	0.4
Amputation, non-lower extremity	4	13.1	10%	0	5	0.0
Osteoarthritis	-	11.3	10%	-	-	-
Rheumatoid	-	10.6	10%	-	-	-
Cardiac	-	11.9	10%	-	-	-
Pulmonary	-	12.9	1%	-	-	-
Pain Syndrome	-	10.5	1%	-	-	-
MMT without Brain or Spinal Cord Injury	52	13.8	50%	26	359	1.0
MMT with Brain or Spinal Cord Injury	1	21.6	50%	1	11	0.0
Guillan Barre	-	14.0	80%	-	-	-
Burns	6	16.5	25%	2	25	0.1
	4,123			1,190	18,763	51.4

ALL PAYOR	
Estimated All Payor ADC	51.4
Selected DRGs	
Adjusted 35% for all other DRG's	79.1
Add additional 35% for non-compliant cases	

Please Note: ALOS has been updated as of 4/25/11 by the Nation Adjusted Mean LOS from UDS.

Based on the large number of discharges that are rehab appropriate, specifically those within the stroke/neurological categories, the applicant is confident in the projected utilization for the proposed rehabilitation hospital with all private rooms (see Figure C: Need.6.3 below). In fact, the projections are extremely conservative given the high number of discharges in the Baptist Memorial System and the fact that discharges from other acute care hospitals are not taken into account. The first year's census is broken into 4 quarters. This is to demonstrate the new hospital ramping up the census in year one after it receives Medicare certification (typically between 45-75 days after opening).

Figure C: Need.6.3

Utilization of Acute Inpatient Rehabilitation Beds
Baptist Rehabilitation - Germantown
Projected Volume with New Hospital

Quarter / Year	Beds	No. of Discharges	Days	ADC	Occ
Q3 - 2014	49	43	605	6.6	13.4%
Q4 - 2014	49	234	3,309	36.0	73.4%
Q1 - 2015	49	250	3,541	39.3	80.3%
Q2 - 2015	49	257	3,640	40.0	81.6%
Year 1 Totals	**49**	**784**	**11,095**	**30.4**	**62.0%**
Year 2 Totals	**49**	**1,061**	**15,006**	**41.0**	**83.7%**

The applicant would like to reiterate that the low projection of discharges in the first quarter of operations (Q3 – 2014) is due to the fact that the new hospital will undergo Medicare certification in that quarter. Additionally, the new hospital will achieve higher occupancy levels than the current rehabilitation hospital due to private rooms and a specialized programming.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

    - All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

Response
The Chart has been completed on the following page. The CON filing fee has been calculated from Line D to be $45,000.

- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response
The Chart has been completed on the following page. Lease values were used because the total lease cost of building and land over the initial term was greater than the estimated construction cost. The actual initial cash requirement is much less than the cost indicated by the chart. A third party developer will purchase/develop the land and building and lease it back to the joint venture. A letter indicating that arrangement is provided.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response
The moveable equipment cost is $2,303,000. There are no major fixed equipment items included in the project.

- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

Response
The Chart has been completed on the following page with building costs included in the lease expense. Documentation from the firm of ESa is provided as **Attachment Section C Economic Feasibility 1.**

PROJECT COSTS CHART

2012 DEC 14 PM 3 07

A.	Construction and equipment acquired by purchase:	
	1. Architectural and Engineering Fees	$ -
	2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$ 49,500
	3. Acquisition of Site	$ -
	4. Preparation of Site	$ -
	5. Construction Costs	$ -
	6. Contingency Fund	$ 484,217
	7. Fixed Equipment (not in included in Construction Contract)	$ 2,303,000
	8. Moveable Equipment (List all equipment over $50,000)	$ -
	9. Other (Specify) _____	$ -
B.	Acquisition by gift, donation, or lease:	
	1. Facility (inclusive of building and land)*	$ 30,286,183
	2. Building only	$ -
	3. Land only	$ -
	4. Equipment (Specify) _____	$ -
	5. Other (Specify) _____	$ -
C.	Financing Costs and Fees:	
	1. Interim Financing	$ -
	2. Underwriting Costs	$ -
	3. Reserve for One Year's Debt Service	$ -
	4. Other (Specify) _____	$ -
D.	Estimated Project Cost (A + B + C)	$ 33,122,900
E.	CON Filing Fee	$ 45,000
F.	Total Estimated Project Cost (D + E)	
	TOTAL	$ 33,167,900

* Lease costs over initial term of lease

2. Identify the funding sources for this project.

   Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

__ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

__ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

__ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.

__ D. Grants--Notification of intent form for grant application or notice of grant award; or

_X_ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
Response:
The operations (working capital and equipment) will be funded by Centerre Healthcare's capital contribution to the joint venture. See Exhibit C: Economic Feasibility.2(E).

_X_ F. Other—Identify and document funding from all other sources.
Response:
As described in other responses, the land and building will be purchased by a third party developer/REIT and leased back to the joint venture. Documentation is provided from Duke Realty. Please See Exhibit C; Economic Feasibility 2 (F)

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response

Total cost of Construction and Site Preparation only is estimated at $15.4M (See Exhibit B.II.a - Square Footage and Cost per Square Footage Chart).
Construction cost per square foot for hospital projects approved by the HSDA for the years 2009-2011 are illustrated below. The cost per square foot for the proposed hospital is consistent with ranges of those projects, being below the median for new hospital construction:

Figure C: Economic Feasiblity.3

Hospital Construction Cost per Square Foot
Source: CON Approved Applications for Years 2009 through 2011

Subpopulations	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

4. Complete Historical and Projected Data Charts on the following two pages--***Do not modify the Charts provided or submit Chart substitutions!*** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response

The Historical Data Chart has been completed for the last three available fiscal years (2009 - 2011) for operations at Baptist Rehabilitation-Germantown.

The Projected Data Chart has been completed for the first 2 full years following project completion.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response

Average Charge per discharge in Year 1 = $40,062
Average Deduction per discharge in Year 1 = $23,098
Average Net per discharge in Year 1 = $16,964

Average: Gross Charges, Deductions, Net Charges

	Year 1	Year 2
Inpatient Gross Revenue	$ 31,440,690	$ 43,374,038
Inpatient Deductions from Revenue	$ 18,290,235	$ 24,975,278
Inpatient Net Revenue	$ 13,217,021	$ 18,491,892
Discharges	785	1,061
Average Gross Charge per Discharge	$ 40,062	$ 40,863
Average Deduction per Discharge	$ 23,306	$ 23,530
Average Net Revenue per Discharge	$ 16,841	$ 17,422
Patient Days	11,095	15,006
Average Gross Charge per Patient Day	$ 2,834	$ 2,890
Average Deduction per Patient Day	$ 1,649	$ 1,664
Average Net Revenue per Patient Day	$ 1,191	$ 1,232

HISTORICAL DATA CHART

2012 DEC 14 PM 3 07

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in Oct (Month)

	Year 2011	Year 2010	Year 2009
A. Utilization Date (I/P Discharges)	626	803	988
B. Revenue from Services to Patients			
1. Inpatient Services	$ 27,202,752	$ 27,084,006	$ 30,408,795
2. Outpatient Services	20,342,431	17,892,649	17,439,303
3. Emergency Serivces			
4. Other Operating Revenue (specify) _____	2,468,369	2,755,414	2,732,616
Gross Operating Revenue	$ 50,013,552	$ 47,732,069	$ 50,580,714
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	26,942,525	27,731,909	34,538,860
2. Provision for Charity Care	671,102	597,561	790,432
3. Provision for Bad Debt	789,805	1,218,863	722,151
Total Deductions	28,403,432	29,548,333	36,051,443
NET OPERATING REVENUE	$ 21,610,120	$ 18,183,736	$ 14,529,271
D. Operating Expenses			
1. Salaries and Wages	14,182,257	14,174,718	14,780,456
2. Physician's Salaries and Wages			
3. Supplies	5,008,485	4,767,964	4,629,463
4. Taxes	148,604	919,223	
5. Depreciation	1,746,407	1,732,116	1,559,236
6. Rent			
7. Interest, other than Capital	38,221	46,043	40,018
8. Other Expenses Professional Fees, Utilities	1,245,862	1,241,040	1,140,241
Total Operating Expenses	$ 22,369,836	$ 22,881,104	$ 22,149,414
E. Other Revenue (Expenses) - Net (Specify)	120,802	122,378	113,153
NET OPERATING INCOME (LOSS)	$ (638,914)	$ (4,574,990)	$ (7,506,990)
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	0	0	0
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ (638,914)	$ (4,574,990)	$ (7,506,990)

Projected Data Chart

Give information for the two (2) years following the completion of this proposal.
The fiscal year begins in July (Month)

		Year 1	Year 2
A.	Utilization Data (Inpatient Discharges)	785	1,061
B.	Revenue from Services to Patients		
	1. Inpatient Services	$ 31,440,690	$ 43,374,038
	2. Outpatient Services	-	-
	3. Emergency Services	-	-
	4. Other Operating Revenue (Cafateria)	66,566	93,132
	Gross Operating Revenue	**$ 31,507,256**	**$ 43,467,170**
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	$ 17,867,773	$ 24,390,358
	2. Provision for Charity Care	259,707	357,210
	3. Provisions for Bad Debt	162,755	227,710
	Total Deductions	**$ 18,290,235**	**$ 24,975,278**
	NET OPERATING REVENUE	**$ 13,217,021**	**$ 18,491,892**
	1. Salaries and Wages	$ 7,297,025	$ 8,869,732
	2. Physician's Salaries and Wages	125,000	125,000
	3. Supplies	904,220	1,163,265
	4. Taxes	440,067	448,868
	5. Depreciation	351,208	457,210
	6. Rent	1,568,812	1,604,110
	7. Interest, other than Capital		
	8. Other Expenses (Utilities, etc.)	2,906,686	3,318,402
	Total Operating Expenses	**$ 13,593,018**	**$ 15,986,587**
E.	Other Revenue (Expenses) - Net (Specify)		
	NET OPERATING INCOME (LOSS)	**$ (375,997)**	**$ 2,505,305**
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest		
	Total Capital Expenditures		
	NET OPERATING INCOME (LOSS)		
	LESS CAPTIAL EXPENDITURES		

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response

The charge schedules will not change from the implementation of this proposal. The current charges at Baptist Rehabilitation -Germantown and at the new Baptist Memorial Rehabilitation Hospital will be the same.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response

There are 2 freestanding HealthSouth facilities in the service area for which comparisons can be made. Below, year 1 projections for the proposed new hospital are compared to the most recent Joint Annual Reports of those 2 facilities:

Figure C: Economic Feasibility.6.B

Projected Charges Year 1 Compared to Most Recently Reported Charges of Similar Facilities

	Cases	Days	Gross Charges	Net Charges	Gross/Case	Gross/Day	Net/Case	Net/Day
HealthSouth Memphis (2011)	1,582	19,433	$ 43,818,888	$ 25,023,939	$ 27,698	$ 2,255	$ 15,818	$ 1,288
HealthSouth North Memphis (2011)	1,073	13,666	$ 25,252,390	$ 18,422,369	$ 23,534	$ 1,848	$ 17,169	$ 1,348
Proposed Project (Year 1)	**785**	**11,095**	**$ 31,440,690**	**$ 13,217,021**	**$ 40,062**	**$ 2,834**	**$ 16,841**	**$ 1,191**

Source: Joint Annual Reports, Projected Data - Inpatient Data Only, Mature Area Facilities versus Proposed Hospital Year 1 Data

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response

Implementation of the project will not result in an increase of the charges to the patient. The projected data charts demonstrate that the new rehabilitation hospital will have positive income. The utilization rates will increase due to the new hospital having all private rooms and having specialized stroke/neurological programs. This will create economies of scale and efficiencies that will allow the hospital to spread its fixed costs over a larger number of patient days, thus reducing the cost per patient day.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response

Baptist Memorial has a large number of patients who are appropriate for inpatient rehabilitation (See Section C, Need - Question 6). It seems certain that the proposed hospital (with all private rooms and specialized programming) will be sufficiently utilized in its first two years to operate with a strong financial margin. The applicant will have sufficient resources to support hospital operations as it builds census while acquiring Medicare certification.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response

The proposed inpatient rehabilitation hospital will follow the ERDs and charity care policy of Baptist Memorial Health Care Corporation.

Figure C: Economic Feasibility.C.9

Medicare and TennCare/Medicaid Gross Revenue Year 1		
Category	**Gross Revenue**	**% of Gross**
Medicare	$ 18,864,414	60.0%
TennCare/Medicaid	$ 1,257,628	4.0%

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response

The initial operating capital and moveable equipment costs are Centerre's contribution to the partnership. Centerre Healthcare Audited Financial Statements with notes. are provided as Attachment C Economic Feasibility 10.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response:
One option was to maintain the operations as currently provided at Baptist Rehabilitation - Germantown. Providing more rehabilitative services for the complex neuro patients is an increasing need that could not be effectively addressed. Providing accommodations in all rooms for ADA accessibility through periods of disability and privacy is also a need for patient and family satisfaction with the inpatient experience. Decreasing admissions to the facility also reflect concern with the available facility. This option did not effectively address the need.

Another option considered was the possibility of adding to the existing structure. Any significant expansion is prevented by building regulations and the availability of land. The current base of the facility cannot reasonably be extended. Height restrictions and the current building structure prevent vertical expansion on the current campus. Expansion at the current location is not a feasible solution.

Internal renovation was also considered , but the building size will not permit private rooms unless the total bed availability is reduced which would be less than the need supported by discharges from the Baptist facilities alone. ADA compliance also would not be reasonable in every patient room.

The option that was chosen as the most feasible is the subject of this CON application. By relocating inpatient rehabilitation facility beds that are already in the community, the service remains matched to the needs of the area. The partnership formed by Baptist Memorial Health Care and Centerre Healthcare will offer the inpatient service in a new, state-of-the-art 49 bed freestanding inpatient hospital with all private rooms.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

   Response

   The proposed new hospital, being a joint venture between Centerre Healthcare and Baptist Memorial, will continue relationships with entities throughout the Baptist system and other providers in the community. The inpatient rehabilitation hospital will serve the same populations and will have electronic capabilities to reinforce communications with referring physicians and professionals across the region.

   Access for area physicians and patients will continue without interruption. The new inpatient rehabilitation hospital will be available to any qualified physician who applies and receives privileges.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

   Response

   The proposed new hospital will positively affect the health care system. The new private rooms will accommodate more patients effectively and efficiently without adding additional beds to the system.

   As described in other sections, increasing the capabilities and scope of specialized programs for stroke/neurological conditions will provide a greater level of rehabilitative care for complex patients which will grow with the projected 35% increase in the 65 and over population in Shelby County over the next 9 years. The specialized programming (e.g. CARF accredited stroke/ brain injury) and the increased number of private rooms will create a "Center of Excellence" for the community.

   The proposed hospital will be an improvement in the capabilities of existing services and will not duplicate services or adversely affect other providers in the area.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response

TITLE	End of Year 1*	End of Year 2
	FTE	FTE
Nursing		
RN's	19.8	20.3
LPN's	12.9	13.2
Aides	17.1	17.6
Charge Nurse	4.2	4.2
Total Nursing FTE's	54.0	55.3
Total Paid Nursing FTE's	61.5	62.9
Therapy		
Physical Therapists	6.3	6.3
PTA	3.0	3.0
Occupational Therapists	5.5	6.0
COTA	3.0	3.0
Techs	-	-
SLPs	3.0	3.0
Total Therapy FTE's	20.8	21.3
Total Paid Therapy FTE's	23.6	24.2

Tennessee Department of Labor and Workforce Development: Memphis, TN-MS-AR MSA Available Salaries

Occupation	Entry Wage	Median	Mean	Experienced	BMHCC Median
Registered Nurses	$49,030	$61,050	$65,950	$74,420	$30.08
Nursing Aides, Orderlies & Attendants	$18,660	$22,630	$23,110	$25,330	$12.90
Physical Therapists	$65,010	$82,640	$85,190	$95,280	$40.00
Physical Therapist Assistants	$43,890	$62,260	$58,680	$66,080	$30.00
Occupational Therapists	$56,750	$74,960	$74,430	$83,270	$40.00
Occupational Therapist Assistants	$44,820	$62,680	$58,660	$65,580	$30.00
Speech-Language Pathologists	$47,400	$62,610	$65,160	$74,050	$40.00
Pharmacists	$93,900	$119,930	$115,430	$126,190	$53.19
Pharmacy Aides	$18,460	$23,200	$23,480	$25,980	$17.27
Healthcare Support Workers, All Other	$22,190	$28,170	$30,380	$34,480	$17.97

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response

Most of the positions are already actively involved in the current hospital or working elsewhere in the Baptist Memorial Health Care system. Trained and qualified human resources are accessible for the proposed project.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response

The applicant understands requirements and regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping and staff education.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.*, internships, residencies, etc.).

Response

Baptist Memorial Health Care Corporation and Baptist Rehabilitation - Germantown are strong supporters of educational opportunities throughout the region. Baptist's Philosophy and Mission for the system states that, "... it seeks to ENCOURAGE, GUIDE, and INSTRUCT those individuals entering into professions related to the healing of the body, mind and spirit."

Baptist Memorial College of Health Sciences was chartered in 1994 as a specialized college offering baccalaureate degrees in nursing and in allied health sciences as well as continuing education opportunities for healthcare professionals.

The four year BHS degree includes radiology training in areas of radiation therapy, nuclear medicine, diagnostic medical services, and radiographic technology.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response
Baptist Rehabilitation - Germantown has reviewed and understands the licensure requirements of the Department of Health and applicable Medicare requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Department of Health

Accreditation: Joint Commission ; CARF

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response
Although the proposed project involves a new facility that has not been licensed, the current license of Baptist Rehabilitation -Germantown, that is the current location of the inpatient rehabilitation beds, is provided for reference.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response
Although the proposed project involves a new facility the most recent completed licensure/certification survey for Baptist Rehabilitation-Germantown with is included as an attachment.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response
There are no final orders or judgments to report for Baptist Rehabilitation -Germantown.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response
There are no final civil or criminal judgments to report for either partner - Centerre or Baptist Memorial.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response

The applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and any other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response

A page from the Commercial Appeal is provided.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**
2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.**

Form HF0004
Revised 02/01/06
Previous Forms are obsolete

2012 DEC 14 PM 3 08

The Commercial Appeal
Affidavit of Publication

STATE OF TENNESSEE
COUNTY OF SHELBY

Personally appeared before me, Patrick Maddox, a Notary Public, Helen Moriarty, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached notice was published in the following edition of The Commercial Appeal to-wit:

December 10, 2012

Helen Moriarty

Subscribed and sworn to before me this 10th day of December, 2012

Patrick Maddox Notary Public

My commission expires 2/15/16

PATRICK MADDOX
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY

My Commission Expires 02/15/2016

holders:
s Roebuck and
pany
Jason O. Young
Peabody Avenue # 2
mphis, TN 38104
ng of Other Interested
les: N/A
sale is subject to liens;
ements; encum-
nces; property taxes;
nts of redemption of
ing entities; all matters
wn on any recorded
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shall have the option of
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hest bidder. The sale
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Successor Trustee's
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e a new notice of sale.
sman Nowack Curry
lco, PC
Alliance Center,
Floor
Lenox Road
nta, GA 30326
960-8298
#: 015247

NOTICE OF
ORECLOSURE SALE
DISON COUNTY,
TE OF TENNESSEE
S IS AN ATTEMPT TO
LLECT A DEBT. ANY
FORMATION OB-
INED WILL BE USED
R THAT PURPOSE.
ault has been made in
terms, conditions and
ments provided for in
f certain Deed of Trust
ed March 13, 2006, of
ord in Deed Book /
ge Number T1744 / 948,
trument 0600523, Reg-
r's Office for Madison
unty, Tennessee, from

filing; any matter that an accurate survey of the premises might disclose; and other matters which are prior in right to the lien of the aforesaid Deed of Trust.
If a high bidder fails to close a sale, the Successor Trustee shall have the option of making the sale to the next highest bidder. The sale held pursuant to this Notice may be rescinded at the Successor Trustee's option at any time. The right is reserved to adjourn the sale to another day, time and/or place certain without further publication, upon announcement at the time and place for the sale set forth above, or at any date and time fixed by a preceding postponement. Alternatively, at its option, Successor Trustee may give a new notice of sale.
Weissman Nowack Curry & Wilco, PC
One Alliance Center,
4th Floor
3500 Lenox Road
Atlanta, GA 30326
(866) 960-8298
File#: 014190

NOTICE OF
FORECLOSURE SALE
SHELBY COUNTY,
STATE OF TENNESSEE
THIS IS AN ATTEMPT TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.
Default has been made in the terms, conditions and payments provided for in that certain Deed of Trust dated August 25, 2005, of record in Deed Instrument 05142476, Register's Office for Shelby County, Tennessee, from Sylvia Gantt and Timothy Gantt (Borrower) to NETCO INC (Trustee) for the benefit of NEW CENTRUY MORTGAGE CORPORATION (Lender), securing the Note/Indebtedness therein described, the entire Note/Indebtedness having been declared in default and immediately due and payable by the lawful owner and holder thereof.
DEUTSCHE BANK NATIONAL TRUST COMPANY, AS TRUSTEE FOR NEW CENTURY HOME EQUITY LOAN TRUST, SERIES 2005-B, ASSET BACKED PASS-THROUGH CERTIFICATES (Holder), now being the present owner/holder of said Indebtedness, has now re-

ternatively, at its option, Successor Trustee may give a new notice of sale.
Weissman Nowack Curry & Wilco, PC
One Alliance Center,
4th Floor
3500 Lenox Road
Atlanta, GA 30326
(866) 960-8298
File #: 015189

NOTICE OF
FORECLOSURE SALE
SHELBY COUNTY,
STATE OF TENNESSEE
THIS IS AN ATTEMPT TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.
Default has been made in the terms, conditions and payments provided for in that certain Deed of Trust dated June 29, 2004, of record in Deed Instrument 04111980 (rerecorded at 04132362), Register's Office for Shelby County, Tennessee, from Sherry Denise Bass and Dennis Glenn Bass (Borrower) to TITLE ENTERPRISES LLC (Trustee) for the benefit of NEW CENTURY MORTGAGE CORPORATION (Lender), securing the Note/Indebtedness therein described, the entire Note/Indebtedness having been declared in default and immediately due and payable by the lawful owner and holder thereof.
U.S. BANK N.A., IN ITS CAPACITY AS TRUSTEE FOR THE REGISTERED HOLDERS OF ASSET BACKED SECURITIES CORPORATION, HOME EQUITY LOAN TRUST 2004-HE6, ASSET BACKED PASS-THROUGH CERTIFI-

4th Floor
3500 Lenox Road
Atlanta, GA 30326
(866) 960-8298
File #: 015187

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that, Baptist Memorial Rehabilitation Hospital, G.P., a general partnership consisting of Baptist Memorial Health Services, Inc., an affiliate of Baptist Memorial Health Care Corporation and CRH of Memphis, LLC, an affiliate of Centerre Healthcare Corporation with an ownership type of partnership and to be managed by CHC Management Services, LLC, intends to file an application for a Certificate of Need to establish a rehabilitation hospital consisting of 49 beds. The hospital will be located in approximately 59,400 sq ft of space to be constructed at 1238 and 1280 South Germantown Parkway, Germantown Tennessee 38138. The location is close to the intersection of Germantown Parkway and Wolf River Boulevard in Germantown, Tennessee. Simultaneously with the implementation of the new hospital, Baptist Rehabilitation Hospital- Germantown would delicense the 49 bed Rehabilitation unit located at 2100 Exeter Road Germantown, Tennessee 38138 which is approximately 2.5 miles from the new site. The project does not involve the addition of beds or any other service for which a certificate of need is required. The estimated project cost is $33,167,900. The anticipated date of filing the application is December 14, 2012. The contact person for this project is Arthur Maples, Dir. Strategic Analysis, who may be reached at Baptist Memorial Health Care Corporation, 350 N. Humphreys Blvd, Memphis, TN 38120, (901) 227-4137.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted.
Written requests for hearing should be sent to:
Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243
The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

NOTIFICATION OF INTENT
O APPLY FOR A CERTIFICATE OF NEED

is to provide official notice to the Health Services and Development ncy and all interested parties, in accordance with T.C.A. Sections 11-1601 et seq., and the Rules of the Health Services and elopment Agency, that Select Specialty Hospital-Memphis (a long n acute care hospital), owned and managed by Select Specialty pital-Memphis, Inc. (a corporation), intends to file an application Certificate of Need to add twenty-eight (28) long term acute care s to its facility, located in leased space at St. Francis Hospital, 5959 Avenue, Memphis, TN 38119. The project cost for CON purposes stimated at $6,900,000. The project contains no major medical ipment and does not add or discontinue any new health service.

ect Specialty Hospital is currently licensed by the Board for nsing Healthcare Facilities (TN Department of Public Health) thirty-nine (39) long term acute care beds. Select Specialty has ived State approval for licensure of ten (10) additional long term te care beds without CON review, under a statutory exemption lable to hospitals of fewer than 100 beds. Upon its implementation, ect will be licensed for forty-nine (49) long term acute care beds, so the twenty-eight (28) bed expansion proposed in this Certificate of d application would increase the Select license to seventy-seven long term acute care beds. St. Francis Hospital, which is leasing se beds to Select, will reduce its current 519-bed general hospital nse by 10 beds to reflect the approved 10-bed expansion of Select ugh the CON exemption process, and will reduce its license by 28 e beds if this CON application is approved. The net effect of these nges will be that the project will not change the service area's total nced complement of general acute care plus long term acute care pital beds.

anticipated date of filing the application is on or before December 2012. The contact person for the project is John Wellborn, who may eached at Development Support Group, 4219 Hillsboro Road, Suite , Nashville, TN 37215; (615) 665-2022.

n written request by interested parties, a local Fact-Finding public ing shall be conducted. Written requests for hearing should be sent to:

alth Services and Development Agency, Andrew Jackson Building, 500 Deaderick Street, Suite 850, Nashville, Tennessee 37243

suant to TCA Sec. 68-11-1607(c)(1): (A) any health care institution ing to oppose a Certificate of Need application must file a written ection with the Health Services and Development Agency no later n fifteen (15) days before the regularly scheduled Health Services Development Agency meeting at which the application is originally eduled, and (B) any other person wishing to oppose the application st file written objection with the Health Services and Development ncy at or prior to the consideration of the application by the Agency.

NOTICE OF SUBSTITUTE TRUSTEE'S SALE THEREBY NESSEE, SHELBY COUNTY DEFAULT hav- ing been made in the terms, conditions and payments provided in certain Deed of Trust executed by Gregory Patterson and Kathy Patterson to Metco, Inc., Trustee dated March 3, 2009 in the amount of $179,877.00, and recorded in the Register's Office of Shelby County, Tennessee in Instrument No. 09053426, ("Deed of Trust"); and, the beneficial interest of said Deed of Trust having been last transferred to GMAC Mortgage, LLC by assignment; and, GMAC Mortgage, LLC, as the current holder of said Deed of Trust (the "Holder"), has appointed as Substitute Trustee the undersigned, any of whom may act, by instrument filed for record in the Register's Office of Shelby County, Tennessee with all the rights, powers and privileges of the original Trustee named in said Deed of Trust; therefore, NOTICE is hereby given that the entire amount of said indebtedness has been declared due and payable as provided in said Deed of Trust by the Holder, and the undersigned as Substitute Trustee, or a duly appointed attorney or agents by virtue of the power and authority vested by the Appointment of Substitute Trustee, will on Thursday, January 3, 2013 commencing at 12:00 PM at the south west Corner, Adams Avenue Entrance of the Shelby County Courthouse, Memphis, Tennessee; sell to the highest bidder for cash, immediately at the close of sale, the following property, to-wit: Situated and being in the County of Shelby, State of Tennessee, to-wit: Lot 117, Final Plan, Section D, Morning Woods Subdivision, as shown on plat of record in Plat Book 117, Page 37, in the Registers Office of Shelby County, Tennessee, to which plat reference is hereby made for a more particular description of said property. Subject to subdivision restrictions and building lines of record in Plat Book 117, Page 18, Plat Book 117, Page 37, Plat Book 117, Page 21, and Instrument No. AB 9940; any existing easements of record in Plat Book 111, Page 18, Plat Book 117, Page 37, Deed Book 136, Page 870, said Registers Office. Being the same property conveyed to Gregory Patterson, a married man by Instrument dated October 15, 2004 from Stephen M. ODonnell and wife, Kym ODonnell filed on October 20, 2004 as Document Number 04173521 in the Shelby County records. Commonly known as: 2641 Morning Grove, Cordova, TN 38016 Parcel ID No.: 09642A00007 Map & Parcel No.: 09642A00007D 2641 Morning Grove Drive, Cordova, Tennessee 38016 PROPERTY ADDRESS CURRENT OWNER(S): Gregory Patterson and Kathy Patterson SUBORDINATE LIENHOLDERS: N/A OTHER INTERESTED PARTIES: Cavalry Portfolio Services, LLC and Credit Acceptance Corp. All right and equity of redemption, statutory or otherwise, homestead, and dower are expressly waived in said Deed of Trust, and the title is believed to be good, however, the undersigned

PROJECT COMPLETION FORECAST CHART

2012 DEC 14 PM 3 08

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 03/27/2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	5	04/2013
2. Construction documents approved by the Tennessee Department of Health	110	07/2013
3. Construction contract signed	110	07/2013
4. Building permit secured	120	07/2013
5. Site preparation completed	180	09/2013
6. Building construction commenced	180	09/2013
7. Construction 40% complete	300	01/2014
8. Construction 80% complete	420	05/2014
9. Construction 100% complete (approved for occupancy	480	07/2015
10. *Issuance of license	510	08/2014
11. *Initiation of service	511	08/2014
12. Final Architectural Certification of Payment	510	09/2014
13. Final Project Report Form (HF0055)	600	11/2014

* **For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: **If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**

AFFIDAVIT

2012 DEC 14 PM 3 08

STATE OF Tennessee

COUNTY OF Shelby

Arthur Maples, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Arthur Maples Dir Strategic Analysis
SIGNATURE/TITLE

Sworn to and subscribed before me this 13th day of December (Month) 2012 (Year) a Notary Public in and for the County/State of Shelby/TN.

Paulette E. Kearney
NOTARY PUBLIC

My Comm. Exp. August 21, 2016

PAULETTE E. KEARNEY
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY

My commission expires _____ (Month/Day), _____ (Year).

INDEX OF ATTACHMENTS

Organizational Documentation

Section A-3

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE STATEMENT OF PARTNERSHIP EXISTENCE OF "BAPTIST MEMORIAL REHABILITATION HOSPITAL, G.P.", FILED IN THIS OFFICE ON THE THIRD DAY OF DECEMBER, A.D. 2012, AT 5:39 O'CLOCK P.M.

5251462 8100

121288548

Jeffrey W. Bullock, Secretary of State

AUTHENTICATION: 0042268

DATE: 12-06-12

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:56 PM 12/03/2012
FILED 05:39 PM 12/03/2012
SRV 121288548 - 5251462 FILE

STATE OF DELAWARE
STATEMENT OF
PARTNERSHIP EXISTENCE

1. The name of the partnership is Baptist Memorial Rehabilitation Hospital, G.P.

2. The address of its registered agent in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

3. The name of the registered agent is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Statement of Partnership Existence this 1st day of December 2012.

Authorized Partners:

BAPTIST MEMORIAL HEALTH SERVICES, INC.

By: Jason Little
Name: Jason M. Little
Title: Vice President

CRH OF MEMPHIS, LLC

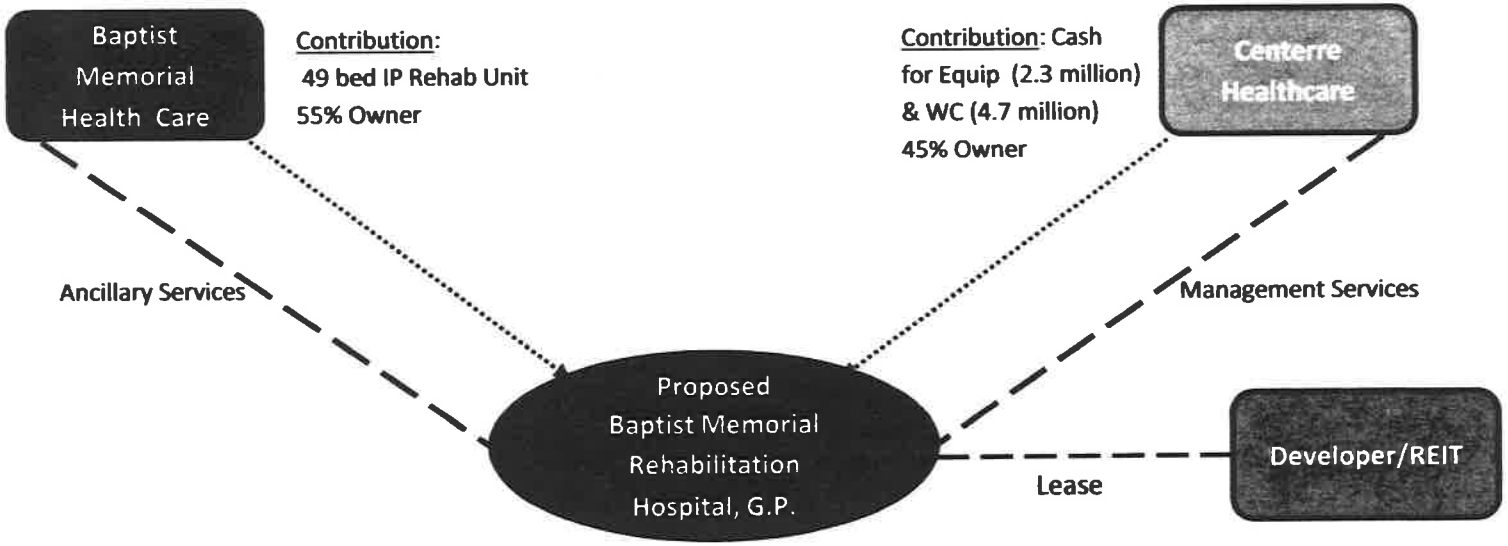
By: Patrick A Foster
Name: Patrick A. Foster
Title: Chief Executive Officer

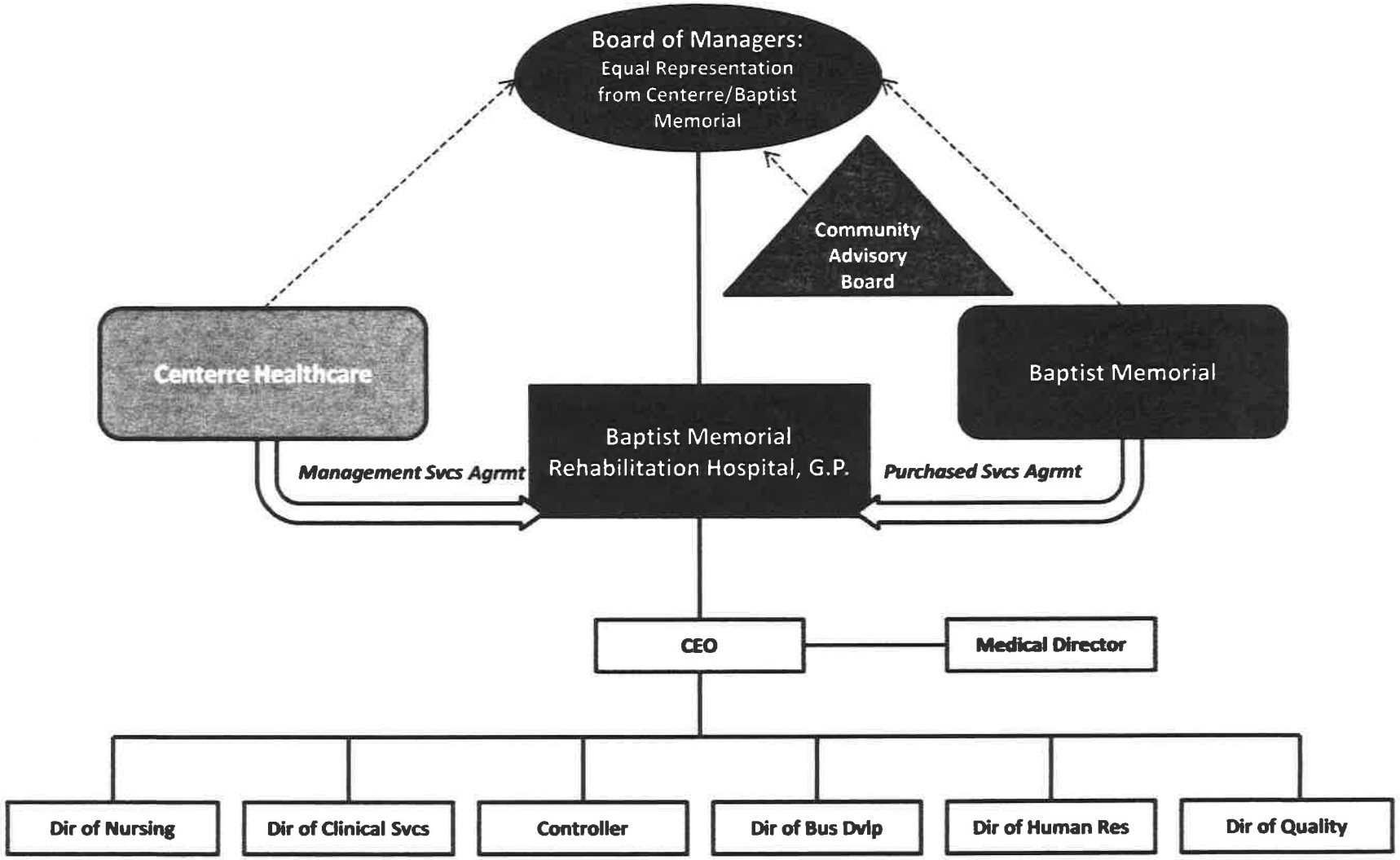
7/3000423.3

Organizational Chart

Section A-4

Joint Venture Ownership Structure




Board of Managers:
Equal Representation
from Centerre/Baptist
Memorial
Community
Advisory
Board
Centerre Healthcare
Baptist Memorial
Baptist Memorial
Rehabilitation Hospital, G.P.
Management Svcs Agrmt
Purchased Svcs Agrmt
CEO
Medical Director
Dir of Nursing
Dir of Clinical Svcs
Controller
Dir of Bus Dvlp
Dir of Human Res
Dir of Quality

Management Agreement

Section A-5

MANAGEMENT SERVICES AGREEMENT

This **MANAGEMENT SERVICES AGREEMENT**, made and entered into as of the 1st day of December 2012 (the "Effective Date"), by and between **CHC MANAGEMENT SERVICES, LLC**, a Missouri limited liability company ("***Manager***"), and **BAPTIST MEMORIAL REHABILITATION HOSPITAL, G.P.**, a Delaware general partnership ("***Owner***").

W I T N E S S E T H :

WHEREAS, Owner intends to develop and operate a freestanding rehabilitation hospital to be located in the Memphis, Tennessee area (the "***Rehabilitation Hospital***");

WHEREAS, Manager has significant expertise in the management and operation of inpatient rehabilitation facilities; and

WHEREAS, Owner desires to engage Manager to manage the development and operation of the Rehabilitation Hospital, and Manager is willing to be engaged in such capacity, upon and subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties to this Agreement, the parties, hereby agree as follows:

1. Management.

1.1 Owner hereby engages Manager for the purpose of providing management, administrative, purchasing, financial, and all other management, support and administrative services needed for the operation of the Rehabilitation Hospital, for and on behalf of Owner, on the basis set forth herein, and Manager hereby accepts such engagement; provided, however, that Manager shall carry out all of its duties and responsibilities hereunder subject to the ultimate authority of, and review by, Owner as set forth in Owner's General Partnership Agreement (the "***Partnership Agreement***"). Manager shall operate the Rehabilitation Hospital in a manner consistent with and supportive of Baptist Memorial Health Care Corporation's and Baptist Memorial Regional Rehabilitation Services, Inc.'s ("***Baptist***") tax-exempt charitable purpose and in a manner that allows the Rehabilitation Hospital to respond to the community needs for inpatient rehabilitation services.

1.2 During the term of this Agreement, Manager will cause Centerre Healthcare Corporation to authorize Owner to state in any advertising, promotional or other material that the Rehabilitation Hospital is operated in association with Centerre Healthcare.

1.3 Owner hereby appoints Manager its attorney-in-fact with full power on its behalf and in its name, or in the name of the Rehabilitation Hospital, (a) in consultation with counsel for Baptist Memorial Health Care Corporation and subject to the appointment of counsel approved by the Board, to prosecute or defend any litigation or proceeding before any court or governmental agency arising out of the operation of the Rehabilitation Hospital or Owner, subject in each case to the provisions of the Partnership Agreement and Section 1.1 above, and

(b) to enter into contracts related to the affairs of the Rehabilitation Hospital and Owner, subject in each case to the provisions of the Partnership Agreement and Section 1.1 above. Manager shall give prompt written notice to Owner of all actions taken pursuant to the foregoing power of attorney upon request.

2. Scope of Engagement.

2.1 Manager shall provide management services for the development and operation of the Rehabilitation Hospital in a manner consistent with the best business practices in the community served by the Rehabilitation Hospital and within the health care industry generally, and consistent with and subject to the responsibilities of Owner, specifically including, but not limited to, the delivery of quality care. Without limiting the generality of the foregoing, Manager shall utilize its corporate quality assurance programs to ensure that the quality of services provided at the Rehabilitation Hospital is consistent with the quality of services provided at other facilities in Manager's national rehabilitation network.

2.2 Within ninety (90) days of the commencement of services under this Agreement, and not less than thirty (30) days before the commencement of each fiscal year thereafter, Manager shall present to Owner an annual plan outlining Manager's recommended operating goals and objectives for the Rehabilitation Hospital for the upcoming year.

2.3 In the performance of its services, as provided for in Sections 4 and 5 of this Agreement, Manager shall exercise the same standards and degree of care as is usual and customary in the health care industry generally. Manager shall act in good faith to perform its obligations hereunder, but shall have no liability to Owner for any decisions made with respect to, or any actions taken in connection with, the Rehabilitation Hospital's operations so long as such decisions or actions were made or were taken in good faith and were made or were taken without negligence or intentional misconduct, or were made or taken pursuant to an express directive of Owner.

2.4 It is expressly understood and agreed by the parties hereto that Manager, its employees and contractors shall at all times during the performance of the services pursuant to this Agreement be acting as an independent contractor of Owner, and that no act, or commission or omission of any act, by any party hereto shall be construed to make the other party a principal, agent, employee, joint venturer or associate of such party.

2.5 In performing its duties and obligations under this Agreement, Manager shall comply with all federal, state and local laws, rules, regulations and regulatory advisory opinions now in force, or which may hereafter be in force, which are applicable to Owner, Manager or the Rehabilitation Hospital.

3. Key Personnel.

During the term of this Agreement, Manager shall recruit qualified executives who shall serve as Chief Executive Officer, Controller, Director of Patient Care and Director of Business Development of the Rehabilitation Hospital (the "***Key Personnel***"). The Key Personnel shall be employees of Manager or an affiliate of Manager. The selection, continued service and

termination of the Key Personnel shall be the responsibility of Manager but subject to the prior approval of Owner.

4. Operating Management Services.

Manager will provide such services, direction, advice, supervision and assistance as are necessary for the development and implementation of the Rehabilitation Hospital and the operation of the Rehabilitation Hospital, as necessary, including, but not limited to, the following:

(a) Selecting a developer acceptable to Owner's Board of Managers (the "***Board***") to act as the owner and developer of the physical facility upon and within which the Rehabilitation Hospital will be located.

(b) Negotiating agreements for development and construction of the Rehabilitation Hospital and coordinating the development and construction of the Rehabilitation Hospital with the selected developer, and negotiating a lease with such developer, subject to the agreement of and in consultation with the Board.

(c) Obtaining and maintaining the licensure and accreditation of the Rehabilitation Hospital with the proper agencies (which licenses and accreditations shall be held in the name of Owner or the Rehabilitation Hospital); provided that Owner, and all affiliates of Owner (including its members) shall cooperate as necessary to secure all governmental approvals and all such licenses.

(d) Arranging for hazard, liability and other necessary insurance coverage for Owner; provided, however, that the physicians practicing in the Rehabilitation Hospital shall be responsible for obtaining their own malpractice insurance.

(e) Administering the employment, supervision, direction and discharge of all personnel, and otherwise managing the personnel affairs of Owner; provided, however, that any major decisions materially affecting the composition or continued employment of the Rehabilitation Hospital's personnel (e.g., a mass layoff) will be subject to the prior approval of Owner.

(f) Establishing staffing schedules and competitive wage structures and personnel policies for employees in a manner compliant with all applicable laws, rules, regulations and regulatory advisory opinions.

(g) Selecting and implementing employee benefit programs for employees.

(h) Setting charges for services provided by the Rehabilitation Hospital.

(i) Providing for the submission and, if necessary, correction of bills for services provided by the Rehabilitation Hospital.

(j) Conducting and directing the day-to-day operations of the Rehabilitation Hospital to ensure that said operations are conducted in a business-like manner.

(k) Managing the property and assets of Owner's business including the development of maintenance, repair and replacement plans.

(l) Providing policies and operating procedures to all departments of the Rehabilitation Hospital.

(m) Coordinating the selection and installation of management information systems appropriate for operation of the Rehabilitation Hospital.

(n) Coordinating the purchase or lease of all supplies and equipment used in the operation of the Rehabilitation Hospital.

(o) Negotiating and entering into such contracts, agreements and leases as may be necessary for the operation of the Rehabilitation Hospital.

(p) Conducting business development activities, physician and public education and other marketing services.

(q) Preparing and implementing operating and capital budgets for the Rehabilitation Hospital.

(r) Upon prior written notice from Owner to Manager, such other tasks and services reasonably related to the management and operation of the Rehabilitation Hospital as the Owner shall determine to be reasonably necessary.

5. Accounting and Bookkeeping Services.

Manager agrees to review, direct and be responsible for all accounting and bookkeeping services for Owner, including, but not limited to, the following:

(a) Receipt, deposit and investment of all funds received from the operation of the Rehabilitation Hospital and supervision of the disbursement of such funds for the operating expenses of the Rehabilitation Hospital and otherwise.

(b) Maintenance of the books of account for and on behalf of Owner, including all journals and ledgers, check registers, and payroll records.

(c) Posting of all patient and other charges, including payments and adjustments.

(d) Establishment and revision of accounts receivable, credit and collection policies and procedures.

(e) Processing of vendors' invoices and other accounts payable.

(f) Preparation of payroll checks from time records prepared under Manager's supervision.

(g) Preparation and submission of payroll tax returns.

(h) Preparation of monthly bank reconciliations.

(i) Preparation of monthly financial statements including a balance sheet and income statement within fifteen (15) days after the end of each month and preparation of annual financial statements within thirty (30) days after the end of each fiscal year.

(j) Establishment and implementation of patient insurance billing procedures.

(k) Supervising completion of an annual audit of the books and records of Owner's business. Audited financial statements shall be delivered to Owner no later than one hundred twenty (120) days after the end of each fiscal year.

(l) Arrange for preparation and submission of all filings and reports required of Owner by regulatory bodies including, but not limited to, Medicare, Medicaid, and the Internal Revenue Service.

6. Compensation.

6.1 Management Fee for Management Services and Billing and Collection Services. In consideration of the services to be provided by Manager hereunder, Owner shall pay Manager a monthly management fee (the "***Management Fee***"). Beginning with the first full month after construction of the Rehabilitation Hospital commences and ending on the date the Rehabilitation Hospital becomes certified for participation in the Medicare program (the "***Medicare Certification Date***"), the Management Fee shall be equal to Fifteen Thousand Dollars ($15,000.00) per month. The Management Fee for the twelve (12) month period commencing with the first full month after the Medicare Certification Date shall be Ten Thousand Dollars ($10,000.00) annually (pro-rated monthly) per bed, payable in equal monthly installments. Following the expiration of such twelve (12) month period and continuing thereafter, the Management Fee shall be calculated as follows:

(a) Manager shall receive a base fee equal to three percent (3%) of the Net Revenues of Owner during each month (or portion thereof) that this Agreement remains in effect.

(b) Manager shall also be eligible for a bonus fee of up to two percent (2%) of the Net Revenues of Owner during each year (or portion thereof) that this Agreement remains in effect, based upon the Rehabilitation Hospital's satisfaction of the bonus criteria set forth on Exhibit A attached hereto and incorporated herein by reference (the "***Bonus Criteria***"). Said Bonus Criteria shall be reviewed and renegotiated on an annual basis. On an interim basis, such bonus fee shall be calculated and paid based on the Rehabilitation Hospital's quarterly performance in each bonus category of the Bonus Criteria during such quarter, and shall be reconciled within 60 days after the end of each year based on the Rehabilitation Hospital's performance for the entire year (the "***Measurement Year***"). If the Rehabilitation Hospital has not satisfied the Bonus Criteria in a bonus category for the Measurement Year, Manager shall promptly repay to Owner any quarterly bonus payments for the bonus category made to Manager during the Measurement Year. Alternatively, if the Rehabilitation Hospital has satisfied the Bonus Criteria in a bonus category for the Measurement Year, Manager shall promptly be paid

the difference between the total bonus payment to which Manager is entitled for such bonus category for the Measurement Year and the sum of all quarterly bonus payments that Manager received during the Measurement Year with respect to such bonus category.

For the purposes of this Agreement, "***Net Revenues***" shall mean the total operating revenues of Owner reduced by revenue deductions, which include an allowance for contractual allowances, discounts and charity amounts (but not bad debt expense), as determined in accordance with generally accepted accounting principles. The Management Fee shall be payable in arrears on the thirtieth (30th) day of the month following the month in which the services were provided. If Net Revenues in any fiscal year are adjusted at year end, Owner or Manager shall be credited accordingly.

Notwithstanding the foregoing to the contrary, it is agreed and acknowledged by Manager that the aggregate amount of the Management Fee payable by Owner to Manager pursuant to the terms of this Agreement shall not exceed the "fair market value" of the management services provided by Manager on behalf of Owner as determined in accordance with customary valuation methodologies reasonably acceptable to the U.S. Department of Treasury. To the extent any part of such Management Fee shall exceed the "fair market value" of Manager's management services, the amount of the Management Fee payable by Owner pursuant to this Agreement shall be reduced accordingly.

6.2 Reimbursement of Expenses. Manager shall be entitled to reimbursement of reasonable direct expenses consistent with the annual budget approved by Owner incurred by Manager on behalf of Owner including, but not limited to, auditor fees, insurance, outside services, professional or other fees, and salaries and benefits paid to the Key Personnel. All non-budgeted expenses in excess of One Thousand Dollars ($1,000.00) shall be approved in advance by Owner. In no event shall Manager allow expenses to exceed 110% of the budgeted amount of expenses in any budget year without the prior written consent of Owner, except to the extent of any commensurate increase in actual revenues compared to budgeted revenues, or to the extent that any such excess expenses were incurred in furtherance of Baptist's charitable purposes described in Section 1.1.

7. Additional Services Provided by Manager.

It is understood and acknowledged that from time to time Manager may be engaged by Owner or required to perform services for Owner outside of the scope of the management services provided for in this Agreement, including, without limitation, the provision of temporary personnel to perform services usually performed by employees of the Rehabilitation Hospital and other duties outside the scope of Manager's obligations hereunder with respect to the day-to-day operation of the Rehabilitation Hospital. In such event, Manager shall notify Owner immediately of Manager's need to perform such additional services, and unless Owner communicates its objection to Manager, Owner shall reimburse Manager reasonable actual costs and expenses incurred in connection with the provision of such services, apart from the management compensation provided for in Section 6 of this Agreement.

8. Term and Termination.

8.1 The term of this Agreement shall commence on the Effective Date hereof and shall continue for an initial term of five (5) years, unless sooner terminated by mutual written consent or by either party pursuant to this Section 8. This Agreement shall automatically renew for successive two (2) years terms unless Owner exercises its option not to renew this Agreement for a renewal term by providing written notice to Manager not less than one hundred eighty (180) days prior to the expiration of the term then in effect that Owner elects to exercise its option not to renew this Agreement. Any action to be taken by Owner to not renew this Agreement may be taken only if the Baptist Managers (as defined in the Partnership Agreement) or the Board determine that Manager is not operating the Rehabilitation Hospital in accordance with the charitable purposes of Baptist as described in Section 1.1, and has failed to cure such performance as provided in Section 8.2 below. Upon such timely notice, this Agreement shall terminate upon the expiration of the term then in effect. Each such renewal term shall be subject to the terms and conditions of this Agreement.

8.2 Either party may terminate this agreement upon ninety (90) days' prior written notice to the other party in the event of any material breach of, or material default under, this Agreement by the non-terminating party; provided, however, that this Agreement shall continue in full force and effect if the non-terminating party shall cure such breach or default within such 90-day notice period, or, in the event of a breach or default that cannot reasonably be cured within such 90-day period, if the non-terminating party shall diligently and in good faith pursue such cure and complete the cure within a period not to exceed one hundred eighty (180) days. In the case of any breach involving the payment of money, the notice period required under this Section 8.2 shall be ten (10) days.

8.3 Either party may terminate this Agreement immediately if the other party is excluded from participation in any federal health care program, as defined at 42 U.S.C. § 1320a-7b(f).

8.4 Either party may terminate this Agreement immediately as of the closing date of a change of ownership of Owner pursuant to which neither Centerre Healthcare Corporation, a Delaware corporation, nor any of its wholly-owned subsidiaries continues to own a significant ownership interest in the Owner.

8.5 This Agreement shall automatically terminate upon the dissolution and/or liquidation of Owner or any other termination of the General Partnership Agreement of Owner.

8.6 Either party may terminate this Agreement by providing written notice to the other party no earlier than thirty (30) days after the occurrence of any of the events described below, provided that prior to issuing such notice, the partners of Owner have cooperated with one another in good faith to jointly evaluate the potential costs and likelihood of prevailing in an appeal of any such action:

(a) The Tennessee Attorney General and Reporter objects to the transaction described in that certain General Partnership Agreement of Owner of even date herewith, following submission of the Tennessee Attorney General and Reporter's

Request for Information Form for Certain Nonprofit Mergers, Sales, Acquisitions and Dispositions;

(b) The Tennessee Health Services and Development Agency's refusal to grant a certificate of need for the Rehabilitation Hospital; or

(c) An opponent successfully appeals the granting of a certificate of need for the Rehabilitation Hospital by the Tennessee Health Services and Development Agency.

9. Indemnification

9.1 Owner shall indemnify and hold harmless Manager and its agents and employees of and from any third party claims, losses, liabilities and demands of every kind and nature whatsoever, including, without limitation, the costs of defending any such claims, liabilities and demands, including, without limitation, attorneys' and accountants' fees therefor, arising in connection with Manager's authorized activities set forth herein; provided, however, that Owner shall not be required to indemnify or hold harmless Manager from any claims, losses, liabilities or demands which arise out of the willful misconduct, negligence or fraud by Manager, or any of its affiliates, agents or employees. For purposes of this Section 9.1, the Key Personnel and the employees (including any leased employees) of the Rehabilitation Hospital shall not be considered to be the agents or employees of Manager.

9.2 Manager shall indemnify and hold harmless Owner and its agents and employees of and from any third party claims, losses, liabilities and demands which arise out of the willful misconduct, negligence or fraud by Manager, or any of its affiliates, agents or employees, including, without limitation, the costs of defending any such claims, liabilities and demands, including, without limitation, attorneys' and accountants' fees therefore. For purposes of this Section 9.2, the Key Personnel and the employees (including any leased employees) of the Rehabilitation Hospital shall not be considered to be the agents or employees of Manager.

10. Compliance.

10.1 Manager hereby represents and warrants to Owner that it has reviewed the following government sponsored Internet websites: http://exclusions.oig.hhs.gov and http://www.epls.gov/, and, to the best of its knowledge, information and belief, neither Manager nor any of its officers, directors, subsidiaries, affiliates, or employees performing services for Owner either on-site or off-site (collectively, the Manager Parties) have been excluded, or are pending exclusion, from participation in any federal or state funded health benefits program (including, without limitation, Medicare, Medicaid and CHAMPUS/Tri-Care) or any federal procurement or non-procurement program. Manager shall immediately notify Owner in writing if any Manager Party is excluded from participation in any of the aforementioned programs. Manager will use its best efforts to ensure that its business practices do not preclude Manager from any such participation. Notwithstanding any other provision of this Agreement, Owner shall have the right to immediately terminate this Agreement, without liability (including penalty if such is provided under this Agreement) or further obligation, upon exclusion of Manager from any such program, and upon exclusion of any other Manager Party from such program unless such Manager Party's association with Manger is terminated promptly.

10.2 Manager shall require its employees, managers, directors and agents to cooperate fully with Baptist Memorial Health Care Corporation's Quality Assurance, Total Quality Assessment, Risk Management, Human Resources and Compliance programs, including if necessary, providing interviews with staff, providing written statements and/or cooperating with any investigation in any other respect reasonably requested by Owner or Baptist Memorial Health Care Corporation.

10.3 The parties shall perform under this Agreement in compliance with all applicable federal and state laws, including without limitation, the provisions of Sections 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Acts of 1967 and 1975, the Americans with Disabilities Act of 1990, Title VI of the Civil Rights Act of 1964, and, as applicable, in compliance with standards of The Joint Commission, the Medicare Conditions of Participation, and billing requirements of governmental and commercial payers.

10.4 The parties agree that neither shall discriminate against any person due to disability, age, race, color, religion, sex, national origin, or any other classification protected by federal, state constitutional or statutory law.

10.5 Manager shall, until the expiration of four (4) years after the furnishing of services pursuant to this Agreement, make available upon written request of Secretary of Health and Human Services or the Comptroller General, or any of their duly authorized representatives, a copy of this Agreement, and the books, documents, and records of Manager that are necessary to certify the nature and extent of costs incurred under this Agreement by the United States Department of Health and Human Services, if Manager carries out any of the duties of the Agreement through subcontract with a value or cost of $10,000.00 or more over a twelve (12) month period with a third party deemed a related organization, until the expiration of four (4) years after the furnishing of Services pursuant to such subcontract, the subcontractor shall make available, upon written request of the Secretary of Health and Human Services, or upon request of the Comptroller General or any of their duly authorized representatives, a copy of the Subcontract, and the books, documents, and records of such contractor that are necessary to verify the nature and extent of the cost incurred under this Agreement by the United States Department of Health and Human Services. Manager will cooperate with Owner in providing any information required by Medicare or other third party auditors.

10.6 If applicable, the parties hereto acknowledge and agree that neither this Agreement nor the compensation paid hereunder is based on, takes into account, or is contingent upon the admission or referral of any patients to any entity affiliated with Owner or Baptist Memorial Health Care Corporation or the volume or value of referrals or other business generated between the parties for which payment may be made or sought in whole or in part under Medicare or any state health care program. The parties further agree that the compensation payable hereunder has been negotiated at arm's length and represents fair market value compensation for the services provided by Manager.

10.7 The parties expressly acknowledge that it has been and continues to be their intent to comply fully with all applicable federal, state, and local laws, rules, and regulations. It is neither a purpose nor a requirement of this Agreement or any other agreement between the parties to offer or receive any remuneration or benefit of any nature for the referral of, or to solicit, require, induce, or encourage the referral of any patient, item, or business for

which payment may be made or sought in whole or in part by Medicare, Medicaid, or any other federal or state reimbursement program.

11. Miscellaneous.

11.1 Any notice, consent, request, instructions, approval or other communications required or permitted under this Agreement or any other document or instrument delivered in connection herewith shall be deemed to have been validly given, made or served if in writing and mailed by certified United States Mail, return receipt requested, postage prepaid and properly addressed, or sent by overnight express, to the respective party to whom such notice, consent, instructions, approval or other communication relates at the following addresses:

If to Manager:	CHC Management Services, LLC 5250 Virginia Way, Suite 240 Brentwood, Tennessee 37027 Attention: President
With a copy to:	Centerre Healthcare Corporation 5250 Virginia Way, Suite 240 Brentwood, Tennessee 37027 Attention: President and CEO
If to Owner:	Baptist Memorial Rehabilitation Hospital, G.P. 5250 Virginia Way, Suite 240 Brentwood, Tennessee 37027 Attention: Chairperson
With a copy to:	Baptist Memorial Health Care Corporation 350 N. Humphreys Blvd. Memphis, Tennessee 38120 Attention: Corporate Counsel

or such other address as shall be furnished in writing by any party to the other party. All such notices shall be deemed given on the date of receipt, as evidenced by return receipt of courier record.

11.2 Each party hereby agrees to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.

11.3 This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Tennessee, applied without giving effect to any conflicts-of-law principles.

11.4 The captions or headings in this Agreement are made for convenience and general reference only and shall not be construed to describe, define or limit the scope or intent of the provisions of this Agreement.

11.5 The provisions of this Agreement shall be severable and if any provisions shall be invalid or void or unenforceable in whole or in part for any reason, the remaining provisions shall remain in full force and effect.

11.6 This Agreement contains the entire agreement of the parties and supersedes any and all prior agreements between the parties, written or oral, with respect to the subject matter hereof, and may only be modified or amended by a writing signed by both parties.

11.7 This Agreement shall be binding on and shall inure to the benefit of the parties hereto, and their respective successors and permitted assigns, and no other person shall have any right under or by virtue of this Agreement.

11.8 Neither party hereto shall sell, assign or otherwise transfer its interest in or to this Agreement without the prior written consent of the other party; provided, however, that Manager shall be permitted to assign its rights and obligations under this Agreement to an affiliate of Manager without the consent of Owner.

11.9 If either of the parties hereto is delayed or prevented from fulfilling any of its obligations under this Agreement by force majeure, said party shall not be liable under this Agreement for said delay or failure. "Force majeure" shall mean any cause beyond the reasonable control of a party, including but not limited to, act of God, act or omission of civil or military authorities of a state or nation, fire, strike, flood, riot, war, delay of transportation or any other act or omission beyond the reasonable control of a party.

11.10 Should any provision of this Agreement require judicial interpretation, it is agreed that the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent prepared the same, it being agreed that the agents of both parties have participated in the preparation hereof.

11.11 During the term hereof, Manager shall be given complete access to the Rehabilitation Hospital, its records, offices and facilities, in order that it may carry out its obligations hereunder, subject to the confidentiality requirements relating to patients' records as established by Owner. Manager shall, and shall require all its employees, subcontractors and agents to, comply with and recognize all confidentiality and non-disclosure requirements that apply to the Rehabilitation Hospital, specifically including privacy requirements of the Administrative Simplification subtitle of the Health Insurance Portability and Accountability Act of 1996, as amended, and regulations promulgated thereunder (collectively, "HIPAA") and applicable state requirements, and to comply with the Rehabilitation Hospital's requirements and safeguards relating to such confidential information. Manager shall comply with the policies adopted by the Rehabilitation Hospital for access to and disclosure of protected health information (as defined by federal regulations implementing HIPAA) and the Business Associate Agreement provisions attached and incorporated herein as Exhibit B.

11.12 The parties recognize that this Agreement at all times is subject to applicable federal, state and local law. The parties further recognize that this Agreement shall be subject to amendments of such laws and regulations and to new legislation. Any provisions of

law that invalidate, or otherwise are inconsistent with, the terms of this Agreement, or that would cause any of the parties to be in violation of the law, shall be deemed to supersede the terms of this Agreement; provided, however, that the parties shall use their best efforts to accommodate the terms and intent of this Agreement to the greatest extent possible, consistent with the requirements of applicable laws and regulations.

11.13 No waiver by any party hereto of any condition or provision of this Agreement to be performed by another party shall be valid unless in writing, and no such valid waiver shall be deemed a waiver of any similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time.

11.14 In the event of litigation to enforce any terms or conditions of this Agreement, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred in the enforcement of this Agreement.

11.15 Any party to this Agreement or to any other document contemplated herein may execute a counterpart of same and transmit the page bearing his or its signature via facsimile to any other party, in which case the party transmitting the facsimile signature shall be deemed to have executed and delivered a complete original counterpart of this Agreement or such other document as the case may be, and shall be bound to the same extent as if he or it had done so. Any party executing this Agreement or any other document contemplated herein via facsimile signature shall also forward a complete manually executed counterpart of same to each other party, although failure to do so shall not change the binding effect of the facsimile signature.

11.16 If legislation is enacted or a regulation is promulgated or a judicial or administrative decision is rendered that affects, or may affect, the legality of this Agreement or adversely affect the ability of either party to perform its obligations or receive the benefits intended hereunder, then, within fifteen (15) days following notice by either party of such event, each party will negotiate in good faith a substitute agreement to this Agreement which will carry out the original intention of the parties to the extent possible in light of such legislation, regulation or decision.

Signature Page Follows

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed on the day and year first above written.

MANAGER: **CHC MANAGEMENT SERVICES, LLC**

By: Patrick A. Foster
Name: Patrick A. Foster
Title: President & CEO

OWNER: **BAPTIST MEMORIAL REHABILITATION HOSPITAL, G.P.**

By: Jason Little / Zach Chandler
Name: ~~Jason M. Little~~ / Zach Chandler
Title: ~~Vice President~~ / Chairman

Deed

Section A-6

BAPTIST MEMORIAL HOSPITAL-TIPTON
350 N. HUMPHREYS BLVD
MEMPHIS, TN 38120

December 11, 2012

Baptist Memorial Rehabilitation Hospital, G.P.
c/o Mr. Jason Little, Board Member and
Vice President of Baptist Memorial Health Services, Inc.
350 N. Humphreys Blvd.
Memphis, TN 38120

DELIVERED

Dear Jason:

This will confirm that Baptist Memorial Hospital-Tipton is committed to selling the property described on Exhibit A attached hereto to a developer to be selected by Baptist Memorial Rehabilitation Hospital, G.P. for a price of $3,000,000.00. This commitment to sell the property at this price will continue for a period of six (6) months from the date hereof.

Yours very truly,

Baptist Memorial Hospital-Tipton

Gregory M. Duckett
Secretary

RE-HABILITATION HOSPITAL
PROPERTY DESCRIPTION

BEING A DESCRIPTION OF PART OF THE BAPTIST MEMORIAL HOSPITAL-TIPTON PROPERTY AS RECORDED IN INSTRUMENT 11107177, ALL OF THE BAPTIST MEMORIAL HOSPITAL-TIPTON PROPERTY AS RECORDED IN INSTRUMENT 11107179, AND PART OF THE BAPTIST MEMORIAL HOSPITAL-TIPTON PROPERTY AS RECORDED IN INSTRUMENT 11107188, ALL OF RECORD IN THE MEMPHIS, SHELBY COUNTY REGISTER'S OFFICE, LOCATED IN GERMANTOWN, SHELBY COUNTY, TENNESSEE AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE NORTH LINE OF WOLF RIVER BOULEVARD (106.00 FOOT RIGHT-OF-WAY), SAID POINT BEING S75°49'22"E A DISTANCE OF 546.46 FEET FROM THE INTERSECTION OF THE NORTH LINE OF SAID WOLF RIVER BOULEVARD WITH THE EAST LINE OF GERMANTOWN ROAD (RIGHT-OF-WAY VARIES), SAID POINT BEING THE SOUTHEAST CORNER OF LOT 5 OF THE WOLF RIVER CENTER SUBDIVISION AS RECORDED IN PLAT BOOK PLAT BOOK 242, PAGE 21 AT SAID REGISTER'S OFFICE; THENCE N14°10'38"E ALONG THE EAST LINE OF SAID LOT 5, PASSING A SET REFERENCE MONUMENT AT 10.00 FEET (N 305821.1015 – E 832201.6618) A TOTAL DISTANCE OF 181.34 FEET TO THE NORTHEAST CORNER OF SAID LOT 5, SAID POINT BEING **THE POINT OF BEGINNING**; THENCE N36°23'34"W ALONG THE NORTH LINE OF SAID LOT 5 A DISTANCE OF 22.00 FEET TO A POINT OF CURVATURE; THENCE CONTINUING ALONG THE NORTH LINE OF SAID LOT 5 ALONG A 75.00 FOOT RADIUS CURVE TO THE LEFT AN ARC DISTANCE OF 51.56 FEET (CHORD N56°05'12"W 71.64 FEET) TO THE POINT OF TANGENCY; THENCE N75°46'50"W AND CONTINUING ALONG THE NORTH LINE OF SAID LOT 5 A DISTANCE OF 93.93 FEET TO A POINT ON THE EAST LINE OF LOT 4 OF THE SAID WOLF RIVER CENTER SUBDIVISION (PLAT BOOK 242, PAGE 21); THENCE N14°10'38"E ALONG THE EAST LINE OF SAID LOT 4 A DISTANCE OF 48.29 FEET TO THE NORTHEAST CORNER OF SAID LOT 4; THENCE N75°49'22"W ALONG THE NORTH LINE OF SAID LOT 4 A DISTANCE OF 180.14 FEET TO THE NORTHWEST CORNER OF SAID LOT 4, SAID POINT ALSO LIES ON THE EAST LINE OF LOT 2 OF THE SAID WOLF RIVER CENTER SUBDIVISION (PLAT BOOK 242, PAGE 21); THENCE N14°42'41"E ALONG THE EAST LINE OF SAID LOT 2 AND ALONG THE EAST LINE OF LOT 1 OF THE SAID WOLF RIVER CENTER SUBDIVISION (PLAT BOOK 242, PAGE 21) A TOTAL DISTANCE OF 449.30 FEET TO THE NORTHEAST CORNER OF SAID LOT 1; THENCE N75°09'25"W ALONG THE NORTH LINE OF SAID LOT 1 A DISTANCE OF 195.91 FEET THE NORTHWEST CORNER OF SAID LOT 1, SAID POINT ALSO LIES ON THE EAST LINE OF SAID GERMANTOWN ROAD; THENCE N14°43'45"E ALONG THE EAST LINE OF SAID GERMANTOWN ROAD A DISTANCE OF 58.96 FEET TO A FOUND IRON PIN AT THE SOUTHWEST CORNER OF LOT 7 OF THE SAID WOLF RIVER CENTER SUBDIVISION (PLAT BOOK 242, PAGE 21); THENCE S75°10'29"E ALONG THE SOUTH LINE OF SAID LOT 7 AND THE EASTWARDLY EXTENSION THEREOF A DISTANCE OF 234.81 FEET TO A POINT; THENCE N83°46'58"E A DISTANCE OF 86.32 FEET TO A POINT TO A POINT; THENCE N14°50'35"E A DISTANCE OF 147.00 FEET TO A POINT ON THE SOUTH LINE OF LOT 10 AS SHOWN ON THE FINAL PLAT FOR PHASE 1, FIRST ADDITION OF THE WOLF RIVER CENTER AS RECORDED IN PLAT BOOK 147, PAGE 52 AT SAID REGISTER'S OFFICE, THENCE S49°32'15"E ALONG THE SOUTH LINE OF SAID LOT 10 A DISTANCE OF 80.98 FEET TO A POINT, THENCE S36°23'34"E AND CONTINUING ALONG THE SOUTH LINE OF SAID LOT 10 A DISTANCE OF 475.00 FEET TO A POINT, THENCE S53°36'26"W A

DISTANCE OF 357 61 FEET TO A POINT; THENCE S14°10'38"W A DISTANCE OF 150.56 FEET TO THE POINT OF BEGINNING AND CONTAINING 267,901 SQUARE FEET OR 6.150 ACRES

348794

CONDITIONAL AGREEMENT FOR SALE AND PURCHASE OF REAL PROPERTY

THIS AGREEMENT is entered into as of this 18th day of April, 2011, by and between WMT GERMANTOWN HOLDING, LLC referred to as ("SELLER"), and JAMES C RAINER IV, TRUSTEE, or his assigns, referred to as ("BUYER").

WHEREAS, Seller desires to sell and Buyer desires to buy the real estate herein described if all conditions set forth herein are satisfied or waived;

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. The Buyer agrees to buy and Seller agrees to sell, upon the terms, provisions and conditions herein contained, the real property described on Exhibit A attached hereto and located in Shelby County, Tennessee, together with all buildings, improvements, appurtenances, easements and hereditaments thereto belonging referred to as the "Property" .

2. The price for the purchase and sale of the Property is One Million Seven Hundred Fifty Thousand Dollars ($1,750,000). Buyer agrees to pay the purchase price by cashier's or certified check, or by wire transfer of immediately available federal funds to a financial institution and account designated by Seller, with Buyer's funds being placed on the wire prior to 2:00 p.m. on the Closing Date (as hereinafter defined) .

3. Within three business days of execution of this Agreement by both parties hereto, the Buyer shall deposit with the Title Company (hereafter defined) the sum of One Hundred Thousand Dollars ($100,000) as earnest money subject to the terms and conditions hereinafter set forth (the "Earnest Money"). Buyer shall be given credit for the Earnest Money at the closing.

4. Buyer, at its expense, shall obtain within thirty (30) days after the execution of this Agreement, a commitment to issue an Owner's title policy in the amount of the purchase price ("Commitment") from Chicago Title Insurance Company (the "Title Company"). During the thirty (30) days, Buyer shall have the right to examine the Commitment and copies of all exceptions referred to therein, including all easements, encumbrances and restrictions. No later than the end of the thirty (30) days, Buyer shall notify Seller in writing of Buyer's approval of any exceptions shown in the Commitment which approval shall be determined by Buyer in its sole subjective and unconditional discretion. Those exceptions which Buyer approves, as well as real estate taxes (but not special assessments or taxes) for the year of closing which are not yet due shall be "Permitted Exceptions". Buyer shall notify Seller in writing by the end of the thirty (30) days of any exceptions it disapproves, and Seller shall have fifteen (15) days within which to eliminate any disapproved exceptions except with respect to liens for borrowed money and delinquent real estate taxes. Seller may discharge exceptions with respect to liens for borrowed money and delinquent real estate taxes out of the purchase price received at the closing as long as discharging such liens in this manner will not impair Seller's ability to convey marketable title to Buyer at the closing. If Seller is unable or unwilling to eliminate any disapproved exception

on or before the fifteen (15) day period or at the closing, whichever is applicable, Buyer, at its option, may waive such exceptions and proceed with closing or terminate this Agreement in which case the Earnest Money shall be returned to the Buyer and this Agreement shall be null and void.

5. For a period to expire on August 5th, 2011 (the "Investigation Period"), Buyer shall have the right to enter the Property in order to perform a survey of the Property and to conduct such tests, inspections and examinations of the Property as Buyer deems necessary with such tests and examinations to be at Buyer's sole cost. Buyer may, in its sole subjective and unconditional discretion, disapprove of the Property at any time during the Investigation Period. In the event that Buyer delivers to Seller, on or before the end of the Investigation Period, written notice that the Property is not acceptable to Buyer, then this Agreement shall be deemed null and void and the Earnest Money shall be promptly refunded to the Buyer, and neither party shall have any further obligations with respect to this Agreement; provided, however, that Buyer shall pay to Seller the sum of One Hundred Dollars ($100) in consideration of Seller's agreement herein contained. If, on or before the end of the Investigation Period, Buyer (a) determines that the Property is acceptable to Buyer or (b) fails to provide to the Seller written notice that the Property is not acceptable to Buyer, the Earnest Money shall be non-refundable except in the case of (i) the Seller's default hereunder, or (ii) the Seller's inability or unwillingness to eliminate disapproved exceptions in accordance with Section 4, or (iii) the failure of any other condition precedent to close.

6. Buyer's obligation to close on the purchase of the Property is further conditioned upon approval by Buyer's Trustor's Board of Directors prior to the end of the Investigation Period.

7. The time of closing shall be within thirty (30) days after the end of the Investigation Period (the "Closing Date").

8. At closing, Seller will cause the Property to be conveyed to the Buyer by Warranty Deed subject only to the Permitted Exceptions. Seller shall deliver possession of the Property to Buyer at the time of closing.

9. a) At closing, Seller shall pay for the title search and for the proper release of all liens and encumbrances on the Property with the exception of the Permitted Exceptions. Seller shall also pay the real estate brokerage commission equal to three percent (3%) of the price to Grubb and Ellis Memphis at closing and Seller's attorney's fees. The Buyer shall pay the transfer tax and recording costs of the deed, its attorney's fees, the premium for the title policy, the costs of its due diligence, and any expenses associated with a loan obtained to purchase the Property. All real estate and personal property taxes for the current year shall be prorated between Buyer and Seller.

b) Real Estate taxes and assessments, shall be prorated as of 11:59 PM the day immediately preceding the Closing Date.

10. All notices required or permitted hereunder, shall be in writing and shall be served on the parties at the following addresses:

If to Buyer:

James C Rainer IV, Trustee
Grubb-Ellis Memphis
555 Perkins Ext Ste 410
Memphis, TN 38117

If to Seller:

WMT Germantown Holding LLC
871 Ridgeway Loop Road, Suite 107
Memphis, TN 38120
Attn: John B Walker

Notices shall be either (i) personally delivered to the addresses set forth above, in which case they shall be deemed delivered on the date of delivery to said address, (ii) sent by registered or certified mail, return receipt requested, in which case they shall be deemed delivered three (3) business days after deposit in the U.S. mail, or (iii) sent by overnight courier in which case delivery shall be deemed as shown on the courier's records.

11. Time is of the essence of this Agreement.

12. This Agreement shall be governed by and enforced in accordance with the laws of the State of Tennessee. Any provision of this Agreement which is unenforceable or invalid or the inclusion of which would affect the validity, legality, or enforcement of this Agreement shall be of no effect, but all the remaining provisions of this Agreement shall remain in full force will the first and effect.

13. This Agreement contains the entire agreement of the parties and no representations, warranties or agreements have been made by either of the parties except as set forth in this Agreement. No modification, waiver or amendment of the provisions of this Agreement shall be effective unless made in writing and signed by the parties hereto.

14. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

15. If this transaction is not consummated by reason of default by Seller hereunder, Buyer shall be entitled to (a) affirm this Agreement and enforce its specific performance or (b) require the immediate return of the Earnest Money ~~and recover full damages for its breach~~. In the event of default by Buyer, Seller shall be entitled to (a) affirm this Agreement and enforce its specific performance, or (b) retain the Earnest Money as liquidated damages (the parties having acknowledged that Seller's damages in the event of a breach by Buyer are difficult to compute and have agreed that the Earnest Money is a reasonable approximation of such damages), ~~or (c) recover from Buyer full damages for its breach with the Earnest Money to be credited against damages actually sustained~~. Should either party to this Agreement bring an action against the other party to enforce any claim hereunder, the prevailing party shall be entitled to recover all costs of said action and reasonable attorneys' fees. The term "prevailing party" as used herein

shall be defined as the party in whose favor a court shall rule or against whom no relief is granted, providing such ruling becomes final.

16. Seller covenants and agrees with Buyer that Seller will keep secret and confidential the existence and terms of this Agreement, agrees to preserve and maintain all information pertaining to this Agreement in strict confidence and agrees not to use, disclose or in any way disseminate any information about this Agreement to any person or entity unless previously authorized in writing by Buyer.

17. This offer shall expire April 20, 2011 if not signed by Seller.

IN WITNESS WHEREOF, the parties have set their hands and seals on the date first above written.

SELLER:

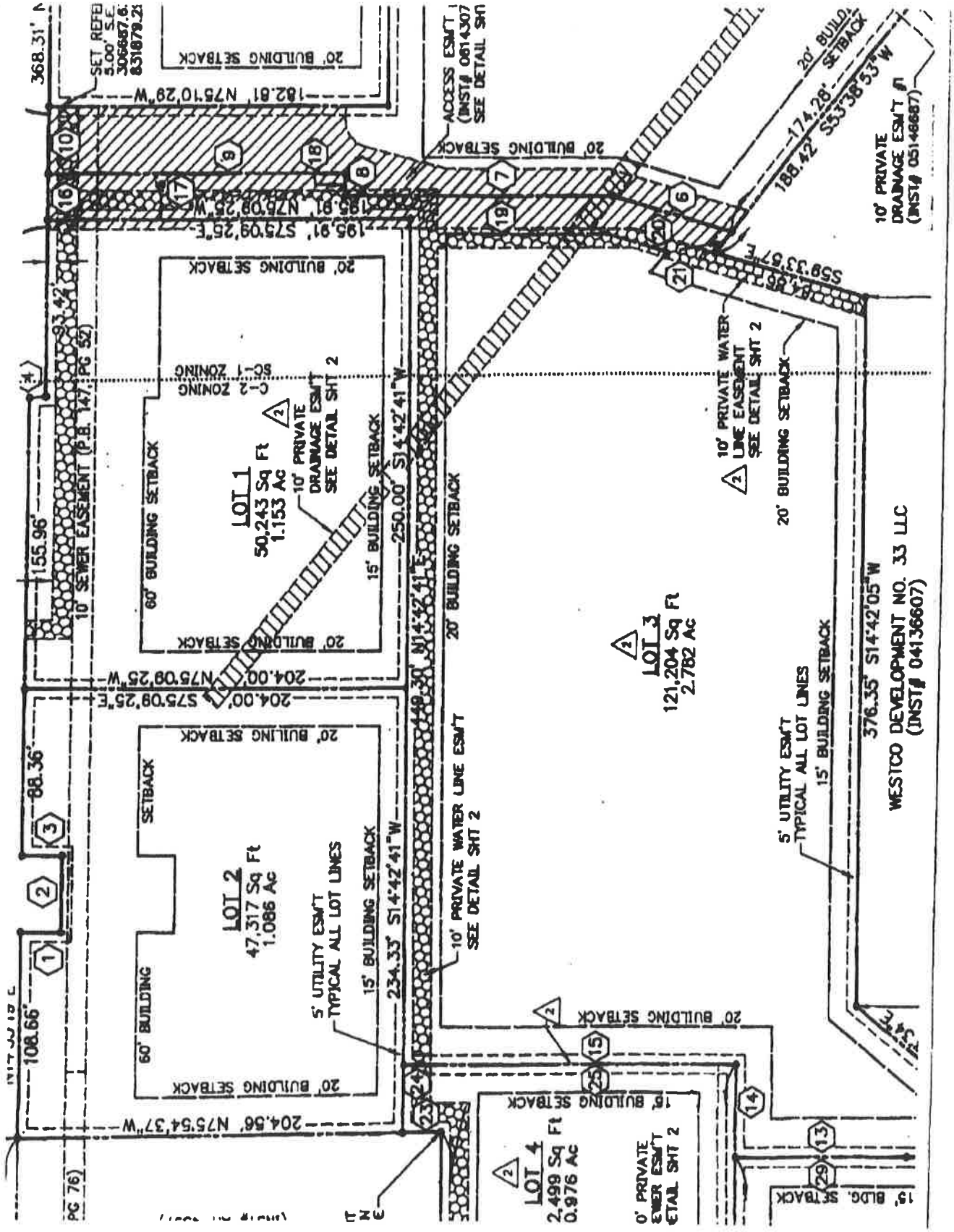
, Member

BUYER:

, TRUSTEE

EXHIBIT "A"

Tax Parcel ID- G0220 00495
Lot 3 on the attached drawing
Legal description to be agreed upon by the parties and attached later.


LOT 1
50,243 Sq Ft
1.153 Ac
LOT 2
47,317 Sq Ft
1.086 Ac
LOT 3
121,204 Sq Ft
2.782 Ac
LOT 4
2,499 Sq Ft
0.976 Ac
WESTCO DEVELOPMENT NO. 33 LLC
(INST# 04136607)
20' BUILDING SETBACK
15' BUILDING SETBACK
60' BUILDING SETBACK
5' UTILITY ESM'T
TYPICAL ALL LOT LINES
10' PRIVATE WATER LINE ESM'T
SEE DETAIL SHT 2
10' PRIVATE WATER
LINE EASEMENT
SEE DETAIL SHT 2
10' PRIVATE
DRAINAGE ESM'T
SEE DETAIL SHT 2
10' PRIVATE
DRAINAGE ESM'T
(INST# 05146687)
ACCESS ESM'T
(INST# 0614307
SEE DETAIL SHT
10' SEWER EASEMENT (P.B. 147, PG 52)
C-2 ZONING
SC-1 ZONING
S14°42'41"W
250.00'
449.30'
234.33'
376.35'
S14°42'05"W
204.00'
N75°09'25"W
S75°09'25"E
204.56'
N75°54'37"W
182.81'
N75°10'29"W
195.91'
N75°09'25"W
S75°09'25"E
174.28'
S53°38'53"W
188.42'
S59°53'57"E
155.96'
93.42'
88.36'
108.66'
368.31'

CONDITIONAL AGREEMENT FOR SALE AND PURCHASE OF REAL PROPERTY

THIS AGREEMENT is entered into as of this 18th day of April, 2011, by and between MERCHANTS AND FARMER BANK referred to as ("SELLER"), and JAMES C RAINER IV, TRUSTEE, or his assigns, referred to as ("BUYER").

WHEREAS, Seller desires to sell and Buyer desires to buy the real estate herein described if all conditions set forth herein are satisfied or waived;

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. The Buyer agrees to buy and Seller agrees to sell, upon the terms, provisions and conditions herein contained, the real property described on Exhibit A attached hereto and located in Shelby County, Tennessee, together with all buildings, improvements, appurtenances, easements and hereditaments thereto belonging referred to as the "Property".

2. The price for the purchase and sale of the Property is ~~Eight Hundred Fifty Thousand Dollars ($850,000)~~ $1,700,000.00. Buyer agrees to pay the purchase price by cashier's or certified check, or by wire transfer of immediately available federal funds to a financial institution and account designated by Seller, with Buyer's funds being placed on the wire prior to 2:00 p.m. on the Closing Date (as hereinafter defined).

3. Within three business days of execution of this Agreement by both parties hereto, the Buyer shall deposit with the Title Company (hereafter defined) the sum of Fifty Thousand Dollars ($50,000) as earnest money subject to the terms and conditions hereinafter set forth (the "Earnest Money"). Buyer shall be given credit for the Earnest Money at the closing.

4. Buyer, at its expense, shall obtain within a reasonable time after the execution of this Agreement, a commitment to issue an Owner's title policy in the amount of the purchase price ("Commitment") from Chicago Title Insurance Company (the "Title Company"). During the Investigation Period (as hereinafter defined), Buyer shall have the right to examine the Commitment and copies of all exceptions referred to therein, including all easements, encumbrances and restrictions. No later than the end of the Investigation Period, Buyer shall notify Seller in writing of Buyer's approval of any exceptions shown in the Commitment which approval shall be determined by Buyer in its sole subjective and unconditional discretion. Those exceptions which Buyer approves, as well as real estate taxes (but not special assessments or taxes) for the year of closing which are not yet due shall be "Permitted Exceptions". Buyer shall notify Seller in writing by the end of the Investigation Period of any exceptions it disapproves, and Seller shall have fifteen (15) days within which to eliminate any disapproved exceptions except with respect to liens for borrowed money and delinquent real estate taxes. Seller may discharge exceptions with respect to liens for borrowed money and delinquent real estate taxes out of the purchase price received at the closing as long as discharging such liens in this manner will not impair Seller's ability to convey marketable title to Buyer at the closing. If Seller is

unable or unwilling to eliminate any disapproved exception on or before the fifteen (15) day period or at the closing, whichever is applicable, Buyer, at its option, may waive such exceptions and proceed with closing or terminate this Agreement in which case the Earnest Money shall be returned to the Buyer and this Agreement shall be null and void.

5. For a period to expire on ~~August~~ June 5th, 2011 (the "Investigation Period"), Buyer shall have the right to enter the Property in order to perform a survey of the Property and to conduct such tests, inspections and examinations of the Property as Buyer deems necessary with such tests and examinations to be at Buyer's sole cost. Buyer may, in its sole subjective and unconditional discretion, disapprove of the Property at any time during the Investigation Period. In the event that Buyer delivers to Seller, on or before the end of the Investigation Period, written notice that the Property is not acceptable to Buyer, then this Agreement shall be deemed null and void and the Earnest Money shall be promptly refunded to the Buyer, and neither party shall have any further obligations with respect to this Agreement; provided, however, that Buyer shall pay to Seller the sum of One Hundred Dollars ($100) in consideration of Seller's agreement herein contained. If, on or before the end of the Investigation Period, Buyer (a) determines that the Property is acceptable to Buyer or (b) fails to provide to the Seller written notice that the Property is not acceptable to Buyer, the Earnest Money shall be non-refundable except in the case of (i) the Seller's default hereunder, or (ii) the Seller's inability or unwillingness to eliminate disapproved exceptions in accordance with Section 4, or (iii) the failure of any other condition precedent to close.

6. Buyer's obligation to close on the purchase of the Property is further conditioned upon approval by Buyer's Trustor's Board of Directors prior to the end of the Investigation Period.

7. The time of closing shall be within thirty (30) days after the end of the Investigation Period (the "Closing Date").

8. At closing, Seller will cause the Property to be conveyed to the Buyer by ~~Warranty~~ special Warranty Deed subject only to the Permitted Exceptions. Seller shall deliver possession of the Property to Buyer at the time of closing.

9. a) At closing, Seller shall pay for the title search and for the proper release of all liens and encumbrances on the Property with the exception of the Permitted Exceptions. Seller shall also pay the real estate brokerage commission equal to three percent (3%) of the price to Grubb and Ellis Memphis at closing and Seller's attorney's fees. The Buyer shall pay the transfer tax and recording costs of the deed, its attorney's fees, the premium for the title policy, the costs of its due diligence, and any expenses associated with a loan obtained to purchase the Property. All real estate and personal property taxes for the current year shall be prorated between Buyer and Seller.

b) Real Estate taxes and assessments, shall be prorated as of 11:59 PM the day immediately preceding the Closing Date.

10. All notices required or permitted hereunder, shall be in writing and shall be served on the parties at the following addresses:

If to Buyer:

James C Rainer IV, Trustee
Grubb-Ellis Memphis
555 Perkins Ext Ste 410
Memphis, TN 38117

If to Seller:

Merchants and Farmers Bank
134 W Washington St
Kosciusko, MS 39090
Attn: Kristen Clark

Notices shall be either (i) personally delivered to the addresses set forth above, in which case they shall be deemed delivered on the date of delivery to said address, (li) sent by registered or certified mail, return receipt requested, in which case they shall be deemed delivered three (3) business days after deposit in the U.S. mail, or (iii) sent by overnight courier in which case delivery shall be deemed as shown on the courier's records.

11. Time is of the essence of this Agreement.

12. This Agreement shall be governed by and enforced in accordance with the laws of the State of Tennessee. Any provision of this Agreement which is unenforceable or invalid or the inclusion of which would affect the validity, legality, or enforcement of this Agreement shall be of no effect, but all the remaining provisions of this Agreement shall remain in full force will the first and effect.

13. This Agreement contains the entire agreement of the parties and no representations, warranties or agreements have been made by either of the parties except as set forth in this Agreement. No modification, waiver or amendment of the provisions of this Agreement shall be effective unless made in writing and signed by the parties hereto.

14. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

15. If this transaction is not consummated by reason of default by Seller hereunder, Buyer shall be entitled to (a) affirm this Agreement and enforce its specific performance or (b) require the immediate return of the Earnest Money and recover full damages for its breach. In the event of default by Buyer, Seller shall be entitled to (a) affirm this Agreement and enforce its specific performance, or (b) retain the Earnest Money as liquidated damages (the parties having acknowledged that Seller's damages in the event of a breach by Buyer are difficult to compute and have agreed that the Earnest Money is a reasonable approximation of such damages), or (c) recover from Buyer full damages for its breach with the Earnest Money to be credited against damages actually sustained. Should either party to this Agreement bring an action against the other party to enforce any claim hereunder, the prevailing party shall be entitled to recover all costs of said action and reasonable attorneys' fees. The term "prevailing party" as used herein

shall be defined as the party in whose favor a court shall rule or against whom no relief is granted, providing such ruling becomes final.

16. This counter offer shall expire April 20, 2011 if not signed by ~~Seller~~ Buyer, and time is of the essence.

IN WITNESS WHEREOF, the parties have set their hands and seals on the date first above written.

SELLER:

BUYER: , TRUSTEE

EXHIBIT "A"

BEING A SURVEY OF LOT 6 OF THE WOLF RIVER CENTER SUBDIVISION RE-SUBDIVISION OF LOT 2, PHASE 1, FIRST ADDITION AS RECORDED IN PLAT BOOK 228, PAGE 47 AT THE SHELBY COUNTY REGISTER'S OFFICE, LOCATED IN GERMANTOWN, SHELBY COUNTY, TENNESSEE AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS

BEGINNING AT A CUT "X" ON THE EAST LINE OF GERMANTOWN PARKWAY (80.00 FEET WEST OF THE CENTERLINE). SAID CUT "X" BEING THE SOUTHWEST CORNER OF LOT 7 OF THE SAID WOLF RIVER CENTER SUBDIVISION RE-SUBDIVISION OF LOT 2, PHASE 1, FIRST ADDITION (PLAT BOOK 228, PAGE 47); THENCE S75°10'29"E ALONG THE SOUTH LINE OF SAID LOT 7 A DISTANCE OF 182.61 FEET TO A SET PK NAIL AT THE SOUTHEAST CORNER OF SAID LOT 7; THENCE N14°50'35"E ALONG THE EAST LINE OF SAID LOT 7 A DISTANCE OF 241.60 FEET TO A SET IRON PIN AT THE NORTHEAST CORNER OF SAID LOT 7, SAID POINT ALSO LIES ON THE SOUTH LINE OF LOT 10 OF THE FINAL PLAT FOR PHASE 1, FIRST ADDITION, WOLF RIVER CENTER AS RECORDED IN PLAT BOOK 147, PAGE 52 AT SAID REGISTER'S OFFICE; THENCE S49°32'15"E ALONG THE SOUTH LINE OF SAID LOT 10 A DISTANCE OF 227.99 FEET TO A SET IRON PIN; THENCE S36°23'34"E AND CONTINUING ALONG THE SOUTH LINE OF SAID LOT 10 A DISTANCE OF 115.00 FEET TO SET CORNER MONUMENT AT THE NORTHWEST CORNER OF THE WESTCO DEVELOPMENT NO. 33, LLC PROPERTY AS RECORDED IN INSTRUMENT 04126807 AT SAID REGISTER'S OFFICE; THENCE S53°36'53"W ALONG A WEST LINE OF THE SAID WESTCO PROPERTY A DISTANCE OF 174.28 FEET TO A SET PK NAIL ON A NORTH LINE OF LOT 3 OF THE SAID WOLF RIVER CENTER SUBDIVISION RE-SUBDIVISION OF LOT 2, PHASE 1, FIRST ADDITION (PLAT BOOK 228, PAGE 47); THENCE N59°39'57"W ALONG A NORTH LINE OF SAID LOT 3 A DISTANCE OF 96.17 FEET TO A POINT; THENCE N75°09'26"W AND CONTINUING ALONG A NORTH LINE OF SAID LOT 3 A DISTANCE OF 145.29 FEET TO A POINT; THENCE N14°50'35"E AND CONTINUING ALONG A NORTH LINE OF SAID LOT 3 A DISTANCE OF 12.00 FEET TO A POINT; THENCE N75°09'26"W AND CONTINUING ALONG A NORTH LINE OF SAID LOT 3 A DISTANCE OF 159.74 FEET TO A SET PK NAIL ON THE EAST LINE OF SAID GERMANTOWN PARKWAY; THENCE N14°43'45"E ALONG THE EAST LINE OF SAID GERMANTOWN PARKWAY A DISTANCE OF 34.96 FEET TO THE POINT OF BEGINNING AND CONTAINING 64,773 SQUARE FEET, OR 1.487 ACRES.

3

CONDITIONAL AGREEMENT FOR SALE AND PURCHASE OF REAL PROPERTY

THIS AGREEMENT is entered into as of this 18th day of April, 2011, by and between WESTCO DEVELOPMENT #33, LLC referred to as ("SELLER"), and JAMES C RAINER IV, TRUSTEE, or his assigns, referred to as ("BUYER").

WHEREAS, Seller desires to sell and Buyer desires to buy the real estate herein described if all conditions set forth herein are satisfied or waived;

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. The Buyer agrees to buy and Seller agrees to sell, upon the terms, provisions and conditions herein contained, the real property described as 7910 Wolf River Blvd, Germantown, TN and more particularly described on Exhibit A attached hereto and located in Shelby County, Tennessee, together with all buildings, improvements, appurtenances, easements and hereditaments thereto belonging referred to as the "Property".

2. The price for the purchase and sale of the Property is Four Million Eight Hundred Thousand Dollars ($4,800,000). Buyer agrees to pay the purchase price by cashier's or certified check, or by wire transfer of immediately available federal funds to a financial institution and account designated by Seller, with Buyer's funds being placed on the wire prior to 2:00 p.m. on the Closing Date (as hereinafter defined).

3. Within three business days of execution of this Agreement by both parties hereto, the Buyer shall deposit with the Title Company (hereafter defined) the sum of One Hundred Thousand Dollars ($100,000) as earnest money subject to the terms and conditions hereinafter set forth (the "Earnest Money"). Buyer shall be given credit for the Earnest Money at the closing.

4. Buyer, at its expense, shall obtain (and provide Seller full and complete copies) within a reasonable time after the execution of this Agreement, a commitment to issue an Owner's title policy in the amount of the purchase price ("Commitment") from Chicago Title Insurance Company (the "Title Company"). During the Investigation Period (as hereinafter defined), Buyer shall have the right to examine the Commitment and copies of all exceptions referred to therein, including all easements, encumbrances and restrictions. No later than the end of the Investigation Period, Buyer shall notify Seller in writing of Buyer's approval of any exceptions shown in the Commitment which approval shall be determined by Buyer in its sole subjective and unconditional discretion. Those exceptions which Buyer approves, as well as real estate taxes (but not special assessments or taxes) for the year of closing which are not yet due shall be "Permitted Exceptions". Buyer shall notify Seller in writing by the end of the Investigation Period of any exceptions it disapproves, and Seller shall have fifteen (15) days within which to eliminate any disapproved exceptions (with no obligation to spend any money) except with respect to liens for borrowed money and delinquent real estate taxes. Seller may discharge exceptions with respect to liens for borrowed money and delinquent real estate taxes out of the

purchase price received at the closing as long as discharging such liens in this manner will not impair Seller's ability to convey marketable title to Buyer at the closing. If Seller is unable or unwilling to eliminate any disapproved exception on or before the fifteen (15) day period or at the closing, whichever is applicable, Buyer, at its option, may waive such exceptions and proceed with closing or terminate this Agreement in which case the Earnest Money shall be returned to the Buyer and this Agreement shall be null and void.

5. For a period to expire on August 5th, 2011 (the "Investigation Period"), Buyer shall have the right to enter the Property in order to perform a survey of the Property (a copy of which shall be provided to Seller upon completion) and to conduct such tests, inspections and examinations of the Property as Buyer deems necessary with such tests and examinations to be at Buyer's sole cost. Buyer may, in its sole subjective and unconditional discretion, disapprove of the Property at any time during the Investigation Period. In the event that Buyer delivers to Seller, on or before the end of the Investigation Period, written notice that the Property is not acceptable to Buyer, then this Agreement shall be deemed null and void and the Earnest Money shall be promptly refunded to the Buyer, and neither party shall have any further obligations with respect to this Agreement; provided, however, that Buyer shall pay to Seller the sum of One Hundred Dollars ($100) in consideration of Seller's agreement herein contained and provide to Seller copies of all third-party reports, tests, inspections and/or examinations of the Property obtained by Buyer during the Investigation Period. If, on or before the end of the Investigation Period, Buyer (a) determines that the Property is acceptable to Buyer or (b) fails to provide to the Seller written notice that the Property is not acceptable to Buyer, the Earnest Money shall be non-refundable except in the case of (i) the Seller's default hereunder, or (ii) the Seller's inability or unwillingness to eliminate disapproved exceptions in accordance with Section 4, or (iii) the failure of any other condition precedent to close.

6. Buyer's obligation to close on the purchase of the Property is further conditioned upon approval by Buyer's Trustor's Board of Directors prior to the end of the Investigation Period.

7. The time of closing shall be within thirty (30) days after the end of the Investigation Period (the "Closing Date").

8. At closing, Seller will cause the Property to be conveyed to the Buyer by Special Warranty Deed subject only to the Permitted Exceptions. Seller shall deliver possession of the Property to Buyer at the time of closing.

9. a) At closing, Seller shall pay for the title search and for the proper release of all liens and encumbrances on the Property with the exception of the Permitted Exceptions. Seller shall also pay the real estate brokerage commission equal to three percent (3%) of the price to Grubb and Ellis Memphis at closing and Seller's attorney's fees. The Buyer shall pay the transfer tax and recording costs of the deed, its attorney's fees, the premium for the title policy, the costs of its due diligence, and any expenses associated with a loan obtained to purchase the Property. All real estate and personal property taxes for the current year shall be prorated between Buyer and Seller.

b) Real Estate taxes and assessments, shall be prorated as of 11:59 PM the day immediately preceding the Closing Date.

10. All notices required or permitted hereunder, shall be in writing and shall be served on the parties at the following addresses:

If to Buyer:

James C Rainer IV, Trustee
Grubb-Ellis Memphis
555 Perkins Ext Ste 410
Memphis, TN 38117

If to Seller:

Westco Development #33, LLC
c/o Weston Companies
PO Box 17847
Memphis, TN 38187
Attn: Mike Caldwell

Notices shall be either (i) personally delivered to the addresses set forth above, in which case they shall be deemed delivered on the date of delivery to said address, (ii) sent by registered or certified mail, return receipt requested, in which case they shall be deemed delivered three (3) business days after deposit in the U.S. mail, or (iii) sent by overnight courier in which case delivery shall be deemed as shown on the courier's records.

11. Time is of the essence of this Agreement.

12. This Agreement shall be governed by and enforced in accordance with the laws of the State of Tennessee. Any provision of this Agreement which is unenforceable or invalid or the inclusion of which would affect the validity, legality, or enforcement of this Agreement shall be of no effect, but all the remaining provisions of this Agreement shall remain in full force will the first and effect.

13. This Agreement contains the entire agreement of the parties and no representations, warranties or agreements have been made by either of the parties except as set forth in this Agreement. No modification, waiver or amendment of the provisions of this Agreement shall be effective unless made in writing and signed by the parties hereto.

14. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

15. If this transaction is not consummated by reason of default by Seller hereunder, Buyer shall be entitled to (a) affirm this Agreement and enforce its specific performance or (b) require the immediate return of the Earnest Money and recover full damages for its breach. In the event of default by Buyer, Seller shall be entitled to (a) affirm this Agreement and enforce its specific performance, or (b) retain the Earnest Money as liquidated damages (the parties having acknowledged that Seller's damages in the event of a breach by Buyer are difficult to compute

and have agreed that the Earnest Money is a reasonable approximation of such damages), or (c) recover from Buyer full damages for its breach with the Earnest Money to be credited against damages actually sustained. Should either party to this Agreement bring an action against the other party to enforce any claim hereunder, the prevailing party shall be entitled to recover all costs of said action and reasonable attorneys' fees. The term "prevailing party" as used herein shall be defined as the party in whose favor a court shall rule or against whom no relief is granted, providing such ruling becomes final.

16. Prior to the Closing Date or the termination of this Agreement, Seller covenants and agrees with Buyer that Seller will keep secret and confidential the existence and terms of this Agreement, agrees to preserve and maintain all information pertaining to this Agreement in strict confidence and agrees not to use, disclose or in any way disseminate any information about this Agreement to any person or entity (excluding Seller's affiliates, attorneys, lenders, accountants or advisors or as otherwise may be required by law) unless previously authorized in writing by Buyer.

17. This offer shall expire April 20, 2011 if not signed by Seller.

IN WITNESS WHEREOF, the parties have set their hands and seals on the date first above written.

SELLER:
Nestco Development #33, L.L.C.
By [signature]
President

BUYER:
[signature], TRUSTEE

EXHIBIT A

PROPERTY IN GERMANTOWN, SHELBY COUNTY, TENNESSEE:

BEING A SURVEY OF PART OF THE WMT GERMANTOWN, LLC PROPERTY AS RECORDED IN INSTRUMENT 04014060, ALSO BEING PART OF LOT 2 OF THE PROPERTY SHOWN ON THE FINAL PLAT FOR PHASE I, FIRST ADDITION OF THE WOLF RIVER CENTER AS RECORDED IN PLAT BOOK 147, PAGE 52, BOTH OF RECORD IN THE SHELBY COUNTY REGISTER'S OFFICE, LOCATED IN GERMANTOWN, SHELBY COUNTY, TENNESSEE AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

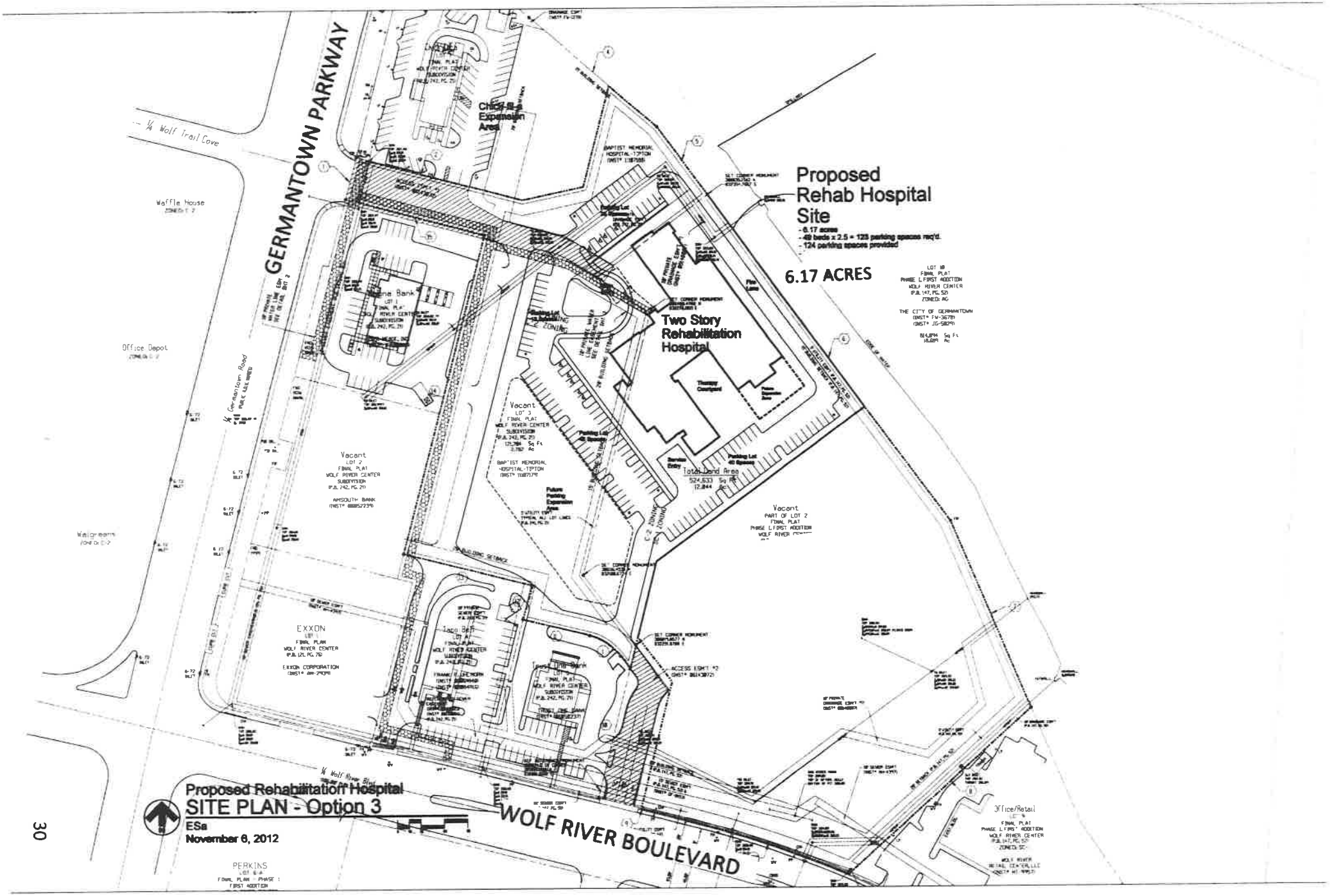
BEGINNING AT A POINT ON THE NORTH LINE OF WOLF RIVER BOULEVARD (106.00 FOOT RIGHT-OF-WAY), SAID POINT BEING S76°49'22"E A DISTANCE OF 646.46 FEET FROM THE INTERSECTION OF THE NORTH LINE OF SAID WOLF RIVER BOULEVARD WITH THE EAST LINE OF GERMANTOWN ROAD (RIGHT-OF-WAY VARIES); THENCE N14°10'38"E A DISTANCE OF 216.00 FEET TO A POINT; THENCE N36°23'34"W A DISTANCE OF 120.00 FEET TO A POINT; THENCE N14°42'06"E A DISTANCE OF 376.36 TO A POINT; THENCE N59°39'57"W A DISTANCE OF 84.66 FEET TO A POINT; THENCE N53°36'53"E A DISTANCE OF 169.42 FEET TO A POINT ON THE SOUTH LOT OF LOT 10 THE WOLF RIVER CENTER PHASE I, FIRST ADDITION (PLAT BOOK 147, PAGE 52), SAID LOT 10 BELONGING TO THE CITY OF GERMANTOWN AS RECORDED IN INSTRUMENTS FW-3676 AND JG-5829 AT SAID REGISTER'S OFFICE; THENCE S36°23'34"E ALONG THE SOUTH LINE OF SAID LOT 10 A DISTANCE OF 556.00 FEET TO A FOUND IRON PIN; THENCE S22°40'36"E AND CONTINUING ALONG THE SOUTH LINE OF SAID LOT 10 A DISTANCE OF 276.78 FEET TO A FOUND IRON PIN AT THE NORTHWEST CORNER OF LOT 9 OF THE WOLF RIVER CENTER PHASE I, FIRST ADDITION (PLAT BOOK 147, PAGE 52), SAID LOT 9 BELONGING TO THE WOLF RIVER RETAIL CENTER, LLC AS RECORDED IN INSTRUMENT HT-9957 AT SAID REGISTER'S OFFICE; THENCE S47°56'04"W ALONG THE WEST LINE OF SAID LOT 9 A DISTANCE OF 337.07 FEET TO A POINT ON THE NORTH LINE OF SAID WOLF RIVER BOULEVARD; THENCE ALONG THE NORTH LINE OF SAID WOLF RIVER BOULEVARD ALONG A 1453.00 FOOT RADIUS CURVE TO THE LEFT AN ARC DISTANCE OF 236.98 FEET (CHORD N71°10'19"W 236.72 FEET) TO THE POINT OF TANGENCY; THENCE N75°49'22"W AND CONTINUING ALONG THE NORTH LINE OF SAID WOLF RIVER BOULEVARD A DISTANCE OF 122.79 FEET TO THE POINT OF BEGINNING AND CONTAINING 338,555 SQUARE FEET, OR 7.774 ACRES.

BEING PART OF THAT REAL ESTATE CONVEYED BY WAL-MART REALTY COMPANY TO WMT GERMANTOWN, LLC BY SPECIAL WARRANTY DEED OF RECORD AS DOCUMENT 04014060 IN THE REGISTER'S OFFCIE OF SHELBY COUNTY, TENNESSEE.

R:\USERS\SANDRA\WMT-EXHIBITA.DOC

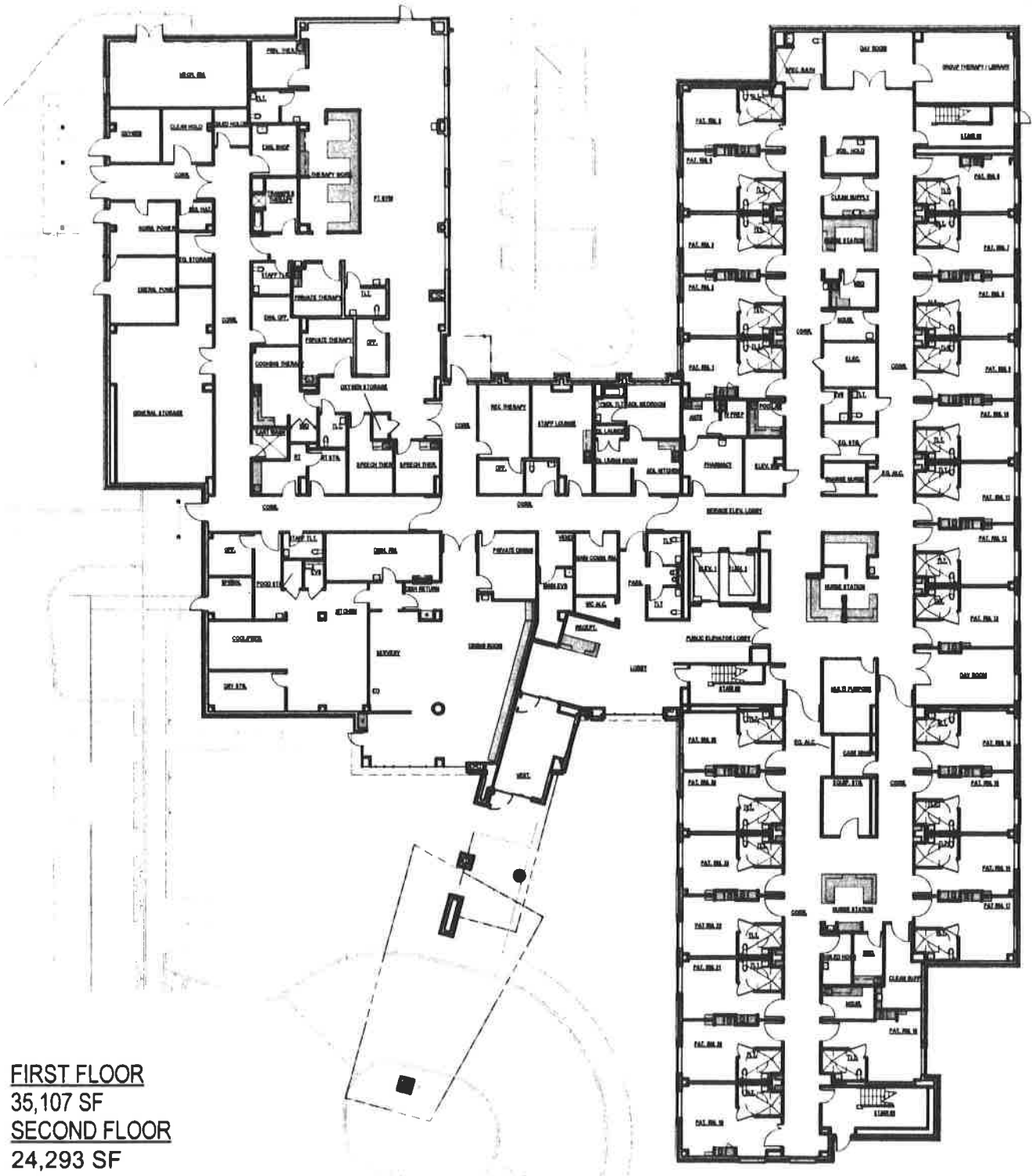
Plot Plan

Section B, III, A (1)


GERMANTOWN PARKWAY
WOLF RIVER BOULEVARD
Proposed
Rehab Hospital
Site
- 6.17 acres
- 49 beds x 2.5 = 123 parking spaces req'd.
- 124 parking spaces provided
6.17 ACRES
Two Story
Rehabilitation
Hospital
Chick-fil-a
Expansion
Area
Waffle House
Office Depot
Walgreens
EXXON
Vacant
Office/Retail
PERKINS
Proposed Rehabilitation Hospital
SITE PLAN - Option 3
ESa
November 6, 2012

Floor Plan

Section B, IV



FIRST FLOOR
35,107 SF
SECOND FLOOR
24,293 SF

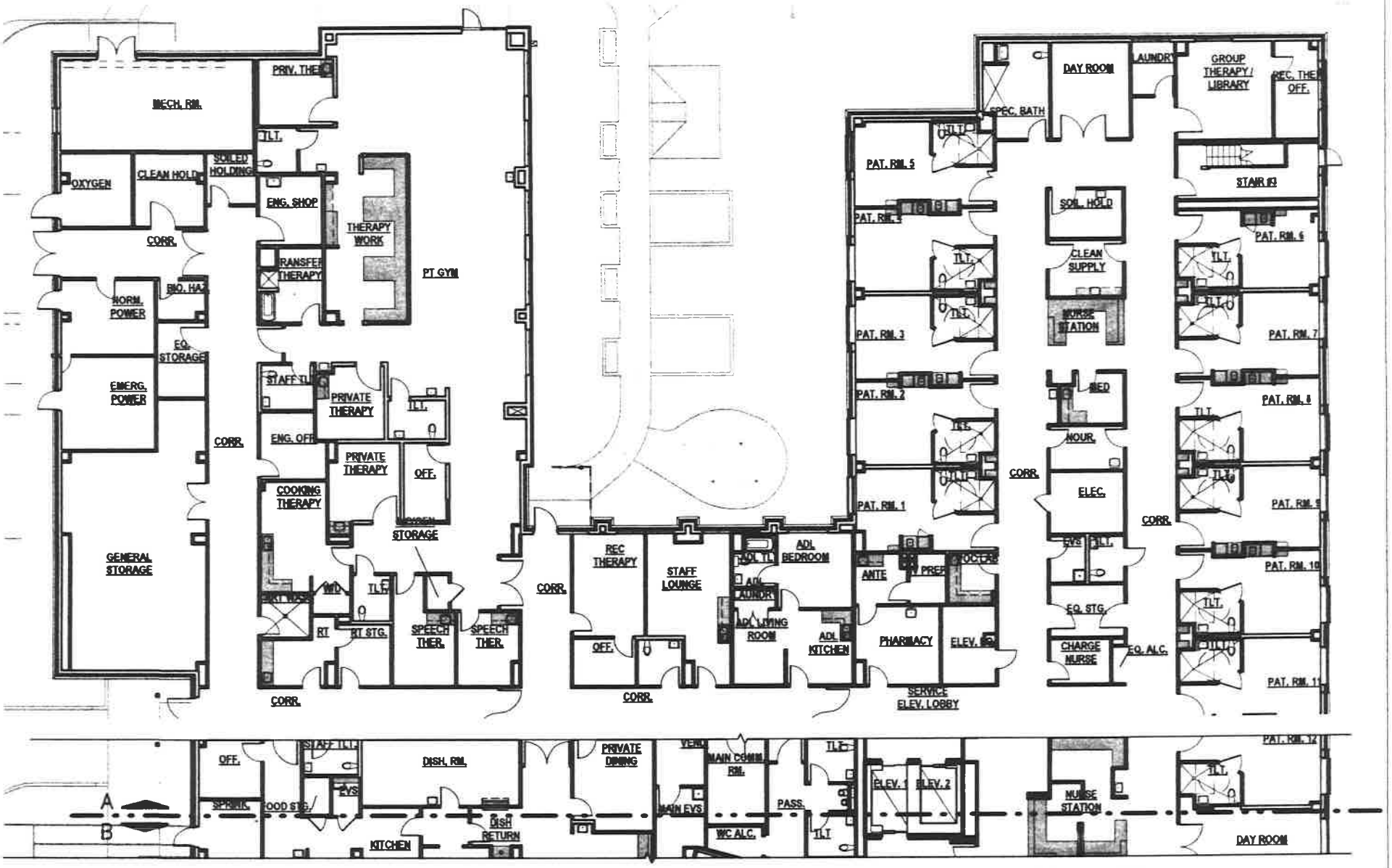
TOTAL SF
59,400 SF

0 8' 16' 32' 64'

ESa
12161.00

PROPOSED REHABILITATION HOSPITAL

GERMANTOWN, TENNESSEE
FIRST FLOOR 10/25/12



FIRST FLOOR- PART A

FIRST FLOOR
35,103 SF

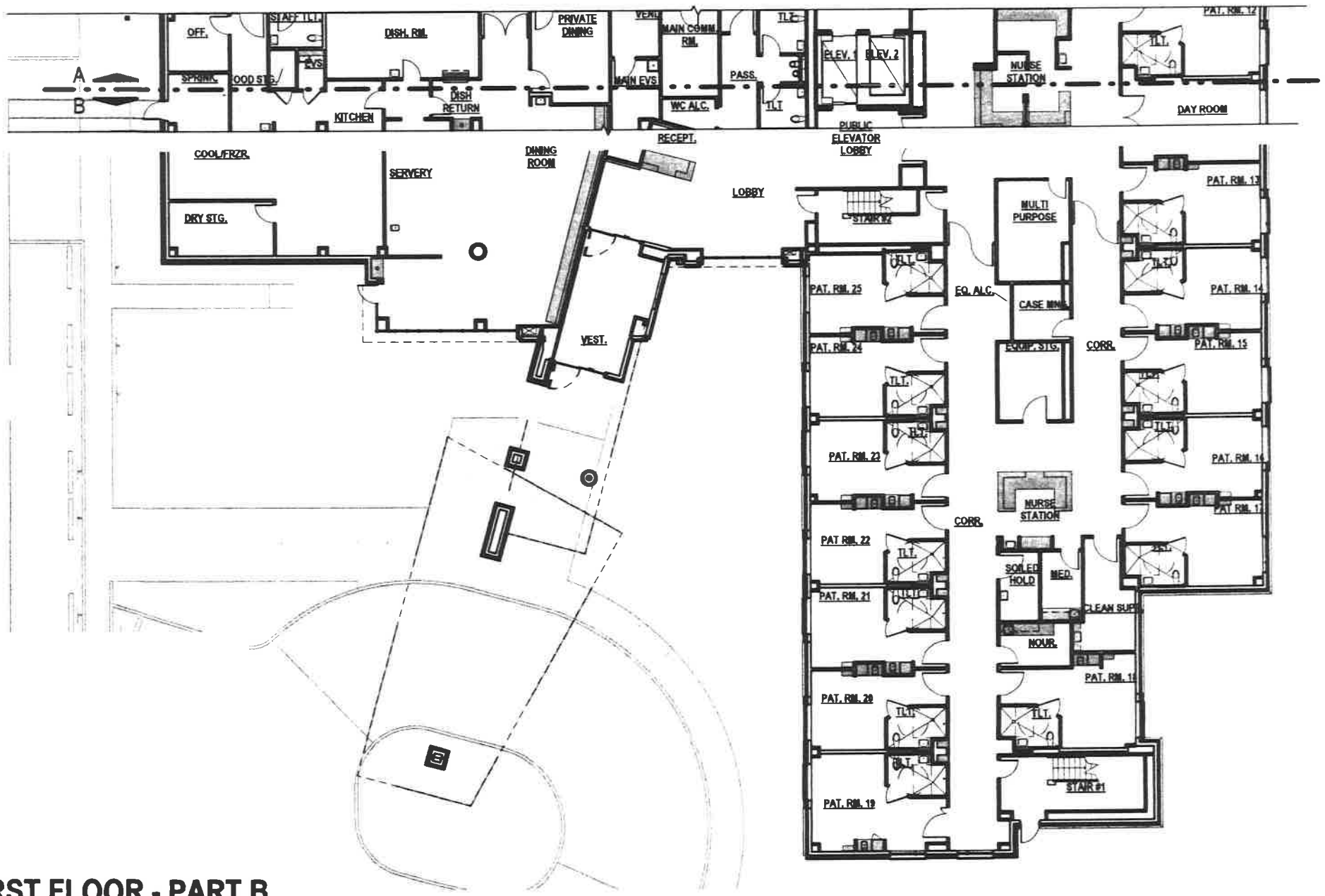
SECOND FLOOR
24,297 SF

TOTAL SF
59,400 SF

ESa
12161.00

GERMANTOWN REHABILITATION HOSPITAL

GERMANTOWN, TENNESSEE
FIRST FLOOR PART A 10/26/12



FIRST FLOOR - PART B

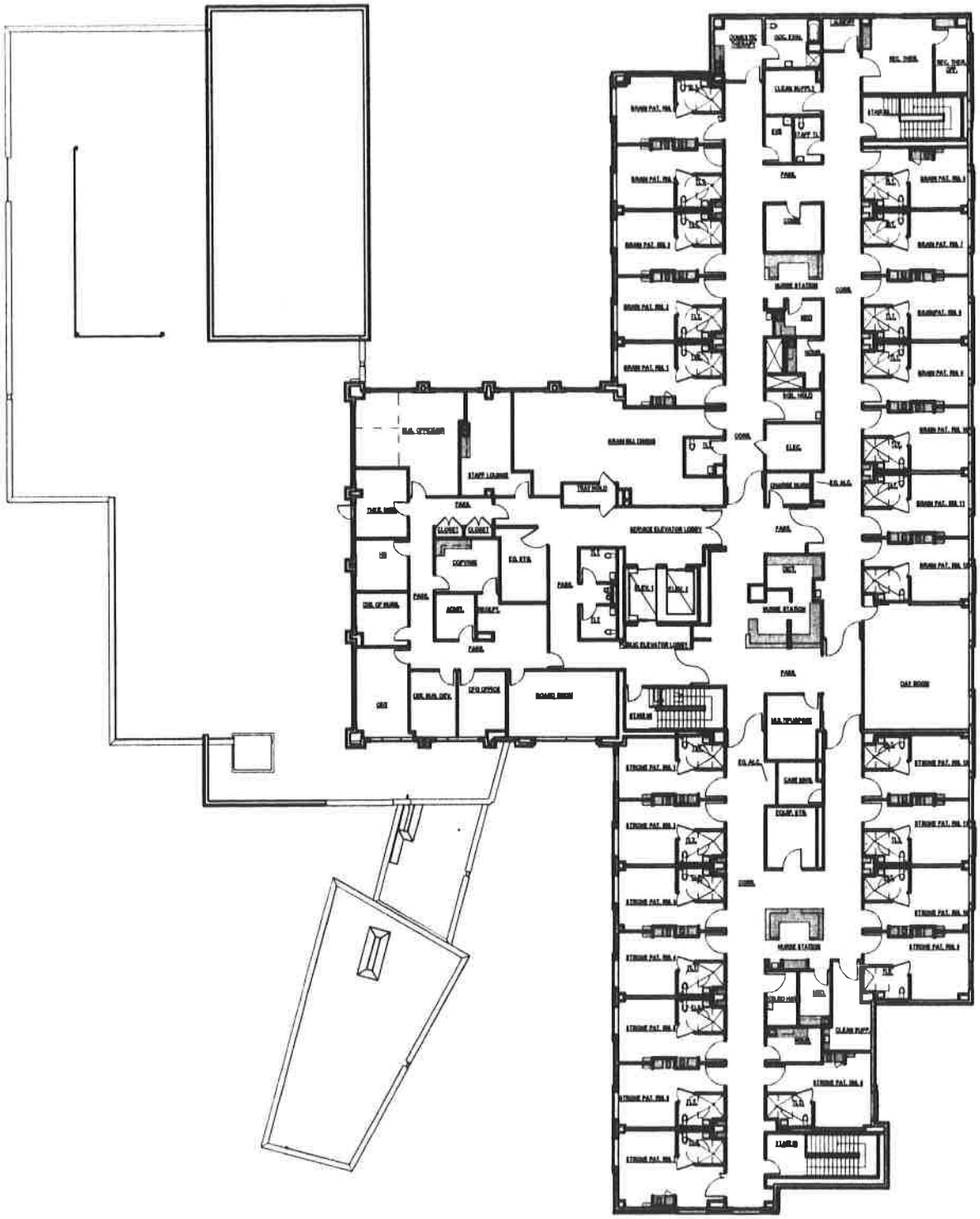
ESa

12161.00

GERMANTOWN REHABILITATION HOSPITAL

GERMANTOWN, TENNESSEE

FIRST FLOOR PART B 10/25/12



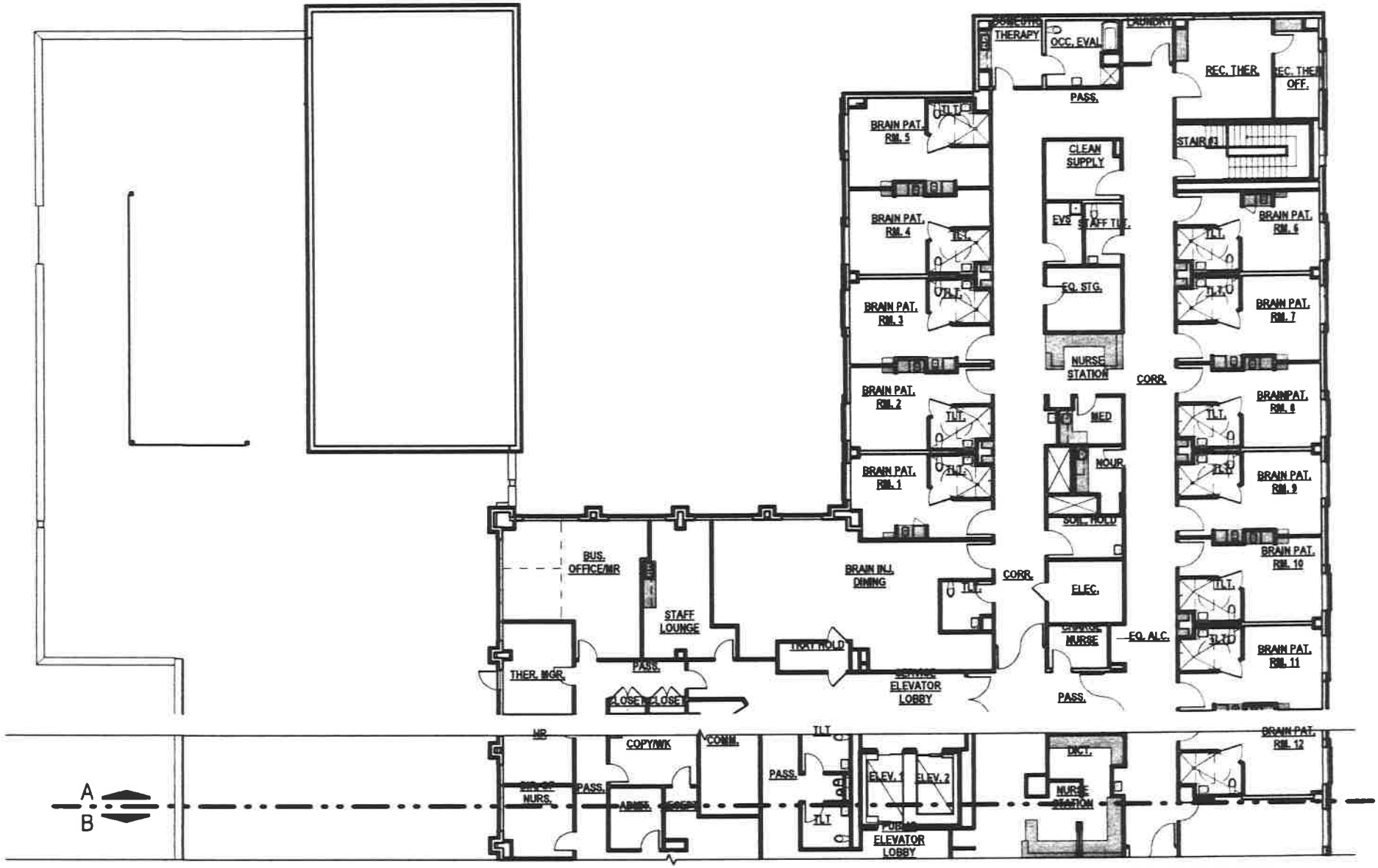
SECOND FLOOR
24,293 SF

0 8' 16' 32' 64'

ESa
12161.00

PROPOSED REHABILITATION HOSPITAL

GERMANTOWN, TENNESSEE
SECOND FLOOR 10/25/12



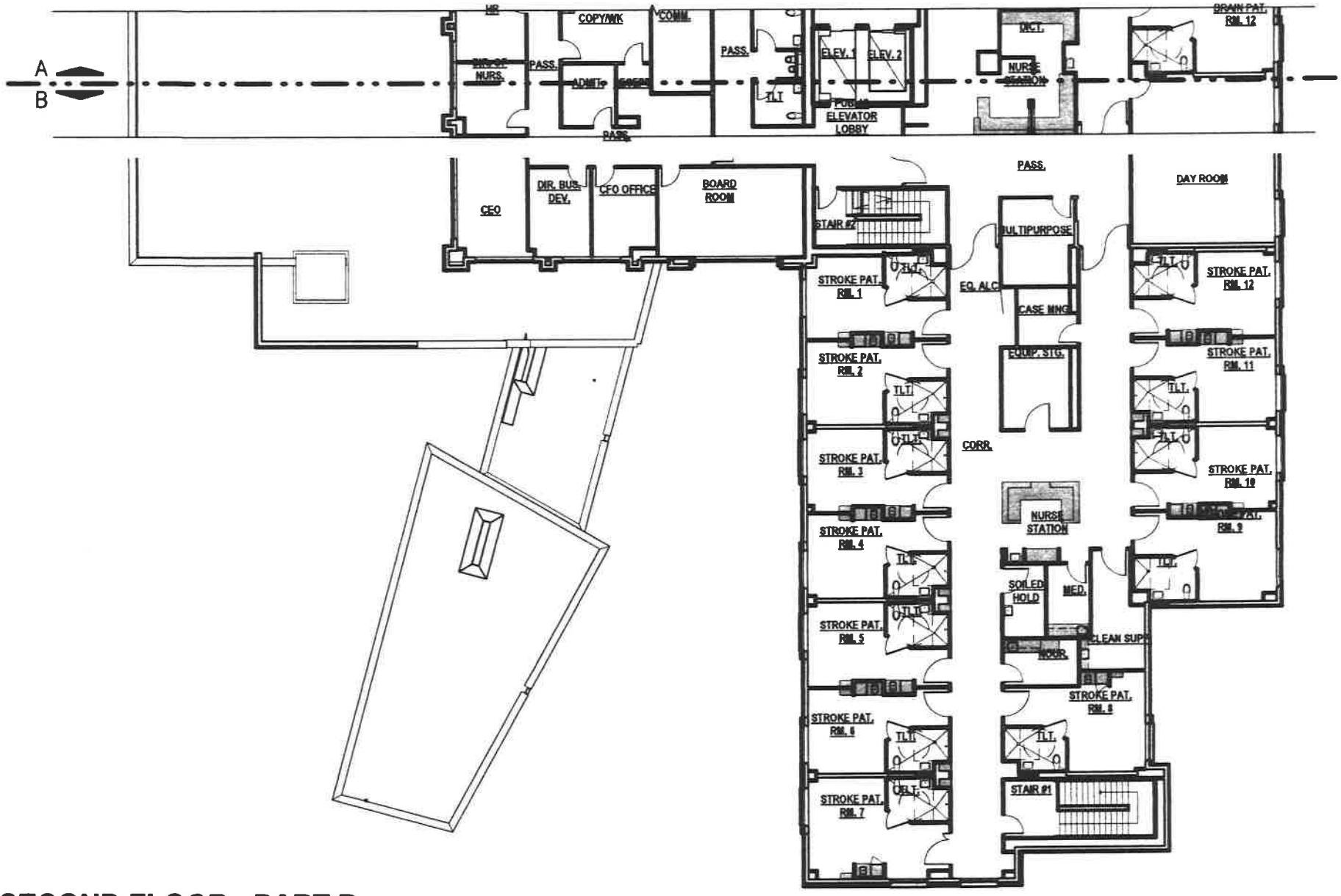
SECOND FLOOR - PART A

SECOND FLOOR
24,297 SF

ESa
12161.00

GERMANTOWN REHABILITATION HOSPITAL

GERMANTOWN, TENNESSEE
SECOND FLOOR - PART A 10/26/12



SECOND FLOOR - PART B

ESa
12161.00

GERMANTOWN REHABILITATION HOSPITAL

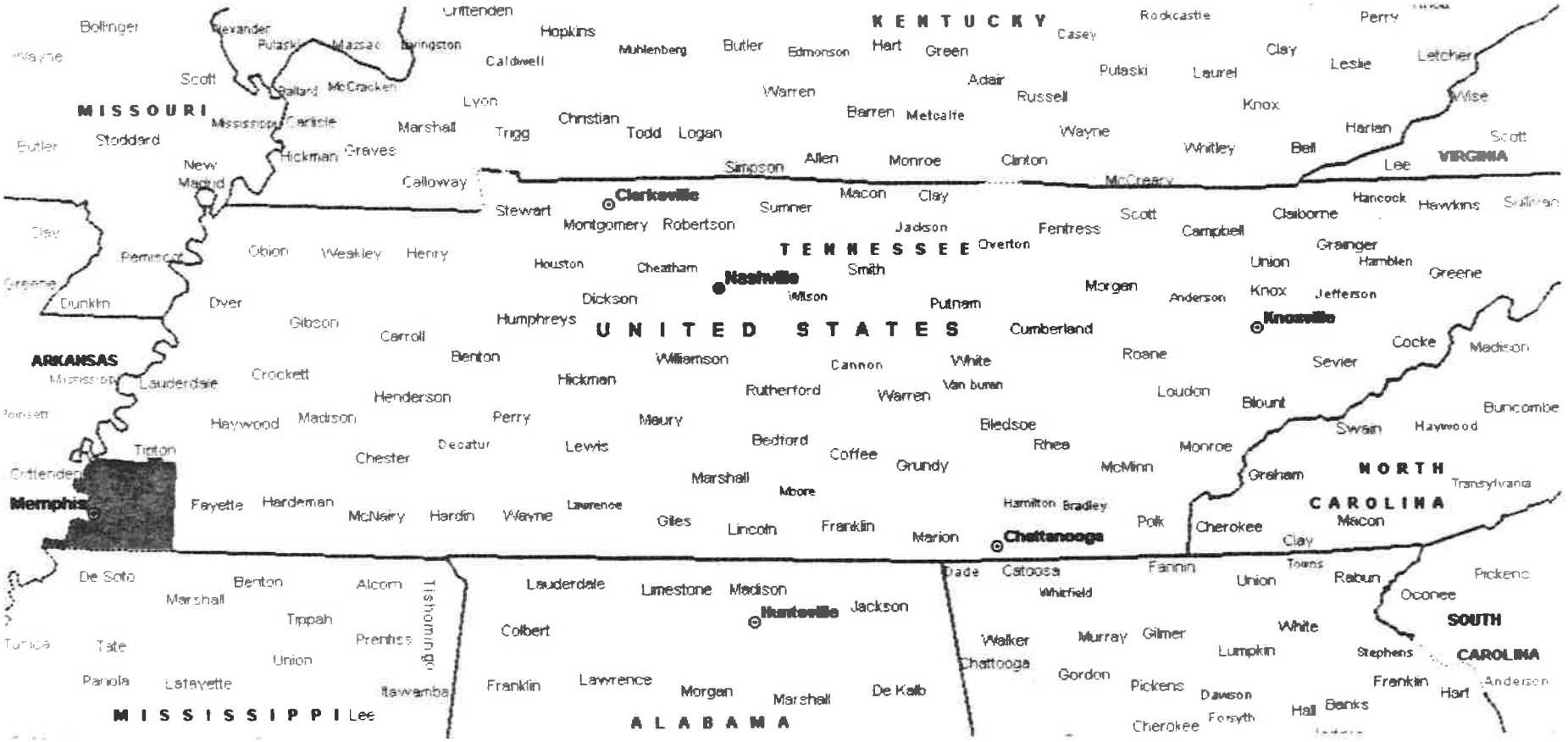
GERMANTOWN, TENNESSEE

SECOND FLOOR - PART B *NOT USED*

Service Area Map

Section C, 3

Primary Service Area – State of Tennessee



CMS 60% Rule

Section C, Need 6

60% Rule: CMS 13

2

HCFA 10

1. Stroke
2. Brain Injury
3. Amputation
4. Spinal Cord
5. Fracture of Femur
6. Neurological Disorders
7. Multiple Trauma
8. Congenital Deformity
9. Burns

Same As HCFA-10 →

CMS 13

1. Stroke
2. Brain Injury
3. Amputation
4. Spinal Cord
5. Fracture of Femur
6. Neurological Disorders
7. Multiple Trauma
8. Congenital Deformity
9. Burns

10. Polyarthritis

Replaced by new categories (10-12) →

10. Osteoarthritis (after less intensive setting)
11. Rheumatoid Arthritis (after less intensive)
12. **Joint Replacement**
    - **Bilateral**
    - **Age >85**
    - **BMI >50**

13. Systemic Vasculidities (after less intensive setting)

2004 MC Reform **in IRF criteria became more stringent for Joint Replacement and Ortho cases**
Classified as IRF if admit 60% of cases in 13 conditions

Rehabilitation Classification System

3

Rehabilitation Impairment Categories (RIC)

IRF-PPS Patient Classification System

Applies to 60% rule

1. Stroke
2. Traumatic Brain Injury
3. Non-Traumatic Brain Injury
4. Traumatic Spinal Cord Injury
5. Non-Traumatic SCI
6. Neurological
7. Lower Ext Fracture
8. Amputation – Lower Extremity
9. Amputation – Other
10. Maj Multi Trauma wo BI/SC
11. Maj Multi Trauma w BI or SC
12. Guilliam Barre
13. Burns

Must qualify or does not apply to 60% rule

14. Lower Ext Jt Replacement
15. Other Orthopedic
16. Osteoarthritis
17. Rheumatoid
18. Cardiac
19. Pulmonary
20. Pain
21. Miscellaneous (Debility and some medically complex)

Centerre Methodology:
conversion factors much higher for these cases - bed need calculation heavily reliant on compliant cases (see appendix for methodology explanation and bed need calculation)

Architect Letter

Economic Feasibility 1

ESa

Earl Swensson Associates, Inc.
richard l. miller, architect

Architecture

October 26, 2012

Ms. Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: GERMANTOWN REHABILITATION HOSPITAL
BAPTIST MEMORIAL HOSPITAL/CENTERRE HEALTHCARE
GERMANTOWN, TN
ESa PROJECT NO. 12161.00

Dear Ms. Hill:

This letter will affirm that, to the best of our knowledge, the design intended for the construction of the referenced facility will be in accordance with the following primary codes and standards as listed in the Rules of Tennessee Department of Health Board for Licensing Health Care Facilities - Standards for Hospitals - Chapter 1200-8-1-.08:

- Current edition of FGI Guidelines for the Design and Construction of Healthcare Facilities.
- Current edition of Rules of Tennessee Department of Health and Environment Board for Licensing Healthcare Facilities.
- Current edition of the Standard Building Code.
- Current edition of the Standard Mechanical Code.
- Current edition of the Standard Plumbing Code.
- Current edition of the Standard Gas Code.
- Current edition of the National Fire Protection Code (NFPA 101).
- Current edition of the National Electrical Code.
- Current edition of the American's with Disabilities Act (ADA).
- Current edition of the North Carolina Handicap Code.
- Current edition of the US Public Health Service Code.

This listing may not be entirely inclusive, but the intent is for all applicable codes and standards, State or Local, to be addressed during the design process.

Best Regards,
EARL SWENSSON ASSOCIATES, INC.

Matthew A. Manning, AIA, NCARB, EDAC
Senior Project Manager

October 24, 2012

Ms. Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Germantown Rehabilitation Hospital
Baptist Memorial Hospital/Centerre Healthcare
Germantown, TN
ESa Project No. 12161.00

Dear Ms. Hill:

This letter will denote that ESa has reviewed the site preparation and construction costs indicated as $883,932 and $14,539,872 for the referenced project and find the costs to be reasonable for the described scope of work. The construction costs have considered recent market conditions and inflation projections. We have also estimated Architectural and Engineering Fees of $905,851 for the project.

Best Regards,

Earl Swensson Assoc., Inc.

Matthew A. Manning, AIA, NCARB, EDAC
Senior Project Manager

Chief Financial Officer Letter

Economic Feasibility 2(E)

5250 VIRGINIA WAY
SUITE 240
BRENTWOOD, TN 37027
OFFICE: 615-846-9500
FAX: 615-846-9585
WWW.CENTERREHC.COM

October 24, 2012

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, TN 37243

RE: Relocating 49 inpatient rehabilitation beds Baptist Rehabilitation Hospital – Germantown

Dear Ms. Hill:

As the Chief Financial Officer of Centerre Healthcare, I have reviewed the financial statements and requirements in the certificate of need application. The proposed hospital is a joint venture between Baptist Memorial and Centerre Healthcare. Baptist Memorial will be 55% owners and their contribution to the joint venture will be their existing inpatient rehabilitation business. Centerre Healthcare will be 45% owners and their contribution to the joint venture will be $7.04M in cash to fund operations (working capital and equipment). This was determined by an independent third party valuation firm.

Financial statements have been provided for Centerre Healthcare that accurately reflect the operations as audited by Lattimore Black Morgan & Cain (LBMC). Centerre Healthcare has the available resources to fund the proposed new 49-bed inpatient rehabilitation hospital. Additional statements for Centerre Healthcare that reflects the available resources can be provided if necessary.

Please contact me if you need additional information.

Sincerely,

David Canniff
Chief Financial Officer

Developer Document

Economic Feasibility 2(F)

DukeREALTY
HEALTHCARE
600 E. 96th Street
Suite 100
Indianapolis, IN 46240
317 808 6900
www.dukerealty.com

December 12, 2012

Mr. Jason Little
Vice President
Baptist Memorial Health Services, Inc.
350 North Humphreys
Memphis, Tennessee 38210

RE: Proposed Development of Medical Office Building to be located in Memphis, Tennessee (the "Building")

Dear Jason:

The purpose of this Letter of Intent is to confirm the interest of Duke Realty Limited Partnership or one of its affiliates ("Duke Realty") to develop and construct the Building for the use and benefit of Baptist Memorial Rehabilitation Hospital, G.P., a Delaware general partnership ("BMRH") consistent with the provisions of the term sheet attached hereto as Exhibit A (the "Term Sheet").

While the terms and conditions set forth in the Term Sheet are good faith estimates by the parties in order to facilitate the preparation and filing of a certificate of need application by BMRH, the Term Sheet does not contain all of the critical terms of the proposed transaction and is subject to the conditions set forth therein including, among other things, the execution and delivery of all agreements described therein, all of which are subject to (i) the issuance by the Tennessee Health Services and Development Agency of a certificate of need for a 49 bed rehabilitation hospital at the location set forth in the Term Sheet, and (ii) approval by Duke Realty's Investment Committee.

Should you have any questions or concerns regarding this matter, please do not hesitate to call. We look forward to working with you to finalize the terms of this transaction.

Sincerely,

Deeni Taylor
Executive Vice President, Healthcare

ACKNOWLEDGED AND AGREED
TO THIS _____ DAY OF DECEMBER, 2012

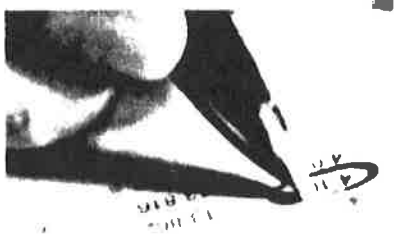
BAPTIST MEMORIAL REHABILITATION HOPITAL, G.P., a Delaware general partnership

By: Jason Little
Name: Jason Little
Title: Vice President

EXHIBIT A

Term Sheet

[see attached]



1. BUDGET AND LEASE TERM SHEET

TERM SHEET

PROJECT: Development of a specialty hospital facility consisting of a two-story, approximately 53,500 square-foot structure consisting of 49 beds.

LANDLORD: Duke Realty Development, LLC (to be formed)

TENANT(S): Joint Venture of Baptist and Centerre ("Joint Venture")

DEVELOPER: Duke Realty

ARCHITECT(S): Duke Realty understands the project design will be completed by an architectural firm approved by the Joint Venture.

CONTRACTOR: Duke Realty understands the project construction will be completed by a general contractor approved by the Joint Venture.

PRELIMINARY LEASE TERMS/RSF:

LEASE TERMS	JV
Rent Factor (Yield):	7.85%
Annual Net Rent Escalation:	2.25%
Total Development Budget:	$19,984,861
NNN Rent:	$29.32
Initial Lease Term:	15 years
FEES	
Development Fee:	3%

Duke REALTY

RENEWAL OPTIONS: Tenant shall be entitled to three 10-year lease renewals.

SCHEDULE: Total development time will not exceed eleven (11) months from the commencement of construction, pursuant to an executed space Lease. Immediately upon engagement, Duke Realty will update the detailed development schedule, including all milestones to be met by all parties, in order for the schedule to be maintained.

SPACE LEASE GUARANTOR: Both Baptist and Centerre as Joint Venture tenants will be responsible for their prorata share of the Lease. The Space Lease will provide a guaranty termination provision whereby prorata guaranties terminate if Tenant's EBITDAR exceeds two (2) times the monthly rent for the defined "Test Period" of previous four (4) consecutive quarters.

PURCHASE OPTION TERM: On the seventh (7th) anniversary of the substantial completion of the leased premises, the joint venture shall have the option to purchase the land and improvements (or assume the Ground Lease, if applicable) for a price equal to the greater of (i) either (A) the total initial cost of the land and improvements plus or inclusive of, as applicable, the unamortized cost of any capital expenditures and the unamortized cost of tenant improvements in tenant space or (B) in the event the improvements shall have been sold in the interim, the purchase price paid by the most recent purchaser plus the costs of any unamortized subsequent tenant improvements in tenant space or capital expenditures; (ii) the then-appraised value of the land and improvements (with such appraisals to assume continued occupancy by the Joint Venture under its lease for 100% of the space within the rehabilitation hospital under the same lease terms); and (iii) the sum of all capital contributions made by members of the owner of the land (or ground lessee, as the case may be) plus the outstanding balance of any leasehold mortgage, including any prepayment penalties or yield maintenance.

SITE CONTROL:	Duke Realty will enter into a purchase and sale agreement with Baptist and subsequently acquire from Baptist approximately six (6) acres of the thirteen (13) total acres on the proposed site (the "Property"). The Property must be adequately sized to provide parking for the Project per local code. A $3,000,000 line item has been included in the budget sheet to account for this fee simple land acquisition.
RENT COMMENCEMENT:	Rent Commencement shall occur thirty (30) days after substantial completion of the Leased Premises, which is currently anticipated to be approximately eleven (11) months from the date of commencement of construction.
NON-BINDING:	Nothing contained herein shall be binding on either party unless and until appropriate Lease documents are fully negotiated, executed, and exchanged by the parties. The terms set forth in this Term Sheet shall be effective so long as this Term Sheet is executed on or before March 31, 2013.

Balance Sheet and Income Statements

Economic Feasibility, 10

Centerre Healthcare Corporation

Consolidated Financial Statements
Years Ended December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Centerre Healthcare Corporation

Contents

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Independent Auditors' Report

To the Board of Directors and Shareholders of
Centerre Healthcare Corporation

We have audited the accompanying consolidated balance sheets of Centerre Healthcare Corporation and Subsidiaries (collectively, the "Corporation") as of December 31, 2011 and 2010 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centerre Healthcare Corporation and Subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
April 27, 2012

Centerre Healthcare Corporation

Consolidated Balance Sheets

December 31,	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 18,284,073	$ 12,893,203
Accounts receivable, net of allowance for doubtful accounts of $894,772 and $647,720 in 2011 and 2010, respectively	7,532,975	6,028,487
Related party receivables	288,004	44,598
Inventories	376,414	325,901
Deferred income taxes	415,687	-
Prepaid expenses and other current assets	861,178	475,798
Total current assets	27,758,331	19,767,987
Property and equipment, net	5,095,538	3,526,373
Investments in joint ventures	5,638,873	5,720,124
Intangible assets	12,400,000	10,290,000
Deferred income taxes	10,871,461	-
Other assets	19,432	11,963
Total assets	$ 61,783,635	$ 39,316,447
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 1,304,849	$ 1,081,712
Accrued expenses	3,890,896	2,825,009
Notes payable, current portion	806,287	356,025
Revolving lines of credit	5,294,330	5,375,000
Other current liabilities	440,824	432,395
Total current liabilities	11,737,186	10,070,141
Notes payable, excluding current portion	1,281,184	624,000
Deferred rent and other long-term liabilities	2,568,378	1,972,041
Total liabilities	15,586,748	12,666,182

See accompanying notes to consolidated financial statements.

Centerre Healthcare Corporation

Consolidated Balance Sheets, Continued

Shareholders' equity		
Series C redeemable convertible preferred stock: $0.001 par value; 23,034,850 and 15,177,300 shares authorized; 23,029,287 and 15,177,265 shares issued and outstanding in 2011 and 2010, respectively	**17,443,093**	**11,442,519**
Series B redeemable convertible preferred stock: $0.001 par value; 47,710,560 shares authorized; 38,348,991 shares issued and outstanding in 2011 and 2010, respectively	**29,109,638**	**29,047,377**
Series A/A-1 redeemable convertible preferred stock: $0.001 par value; 11,645,143 shares authorized; 10,434,373 shares issued and outstanding in 2011 and 2010, respectively	**8,814,724**	**8,812,390**
Common stock: $0.001 par value; 95,504,666 shares authorized; 3,932,755 and 3,826,505 shares issued and outstanding in 2011 and 2010, respectively	**3,933**	**3,827**
Stock warrants	**380,896**	**242,604**
Additional paid-in capital, common stock	**2,007,187**	**1,974,313**
Accumulated deficit	**(22,322,046)**	**(34,252,497)**
Centerre Healthcare Corporation shareholders' equity	**35,437,425**	**17,270,533**
Noncontrolling interests in subsidiaries	**10,759,462**	**9,379,732**
Total shareholders' equity	**46,196,887**	**26,650,265**
Total liabilities and shareholders' equity	**$ 61,783,635**	**$ 39,316,447**

See accompanying notes to consolidated financial statements.

Centerre Healthcare Corporation

Consolidated Statements of Operations

Year Ended December 31,	2011	2010
Revenue		
Net patient service revenue	$ 51,100,435	$ 42,221,214
Other revenue	2,491,285	1,666,612
Equity earnings from joint ventures	2,669,899	2,144,324
Total revenue	56,261,619	46,032,150
Operating expenses		
Salaries, wages and employee benefits	32,796,174	25,945,836
Rent expense	6,382,628	5,145,011
Other operating expenses	6,298,390	5,060,679
Supplies and drugs	3,033,804	2,771,871
Outside services	2,734,441	2,427,973
Provision for (recovery of) bad debts	294,670	(10,000)
Depreciation and amortization	1,061,039	926,724
Interest, net	358,177	327,615
Total expenses	52,959,323	42,595,709
Operating income before income taxes	3,302,296	3,436,441
Income tax benefit	11,216,119	-
Net income	14,518,415	3,436,441
Noncontrolling interests in net earnings of subsidiaries	(2,508,410)	(2,682,563)
Earnings from continuing operations	12,010,005	753,878
Income from discontinued operations	-	4,952
Net income attributable to Centerre Healthcare Corporation	$ 12,010,005	$ 758,830

See accompanying notes to consolidated financial statements.

	Preferred Stock C		Preferred Stock B		Preferred Stock A/A-1		Common Stock		Preferred Stock Warrants		Additional Paid-in Capital - Common Stock	Accumulated Deficit	Centerre Healthcare Corporation Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Value	Shares	Value	Issued	Value	Shares	Par Value	Shares	Value					
Balance at December 31, 2009	15,177,285	$ 11,416,643	38,348,991	$ 28,914,995	18,434,373	$ 8,867,432	3,826,586	$ 3,827	2,348,237	$ 242,884	1,852,129	$ (34,847,891)	$ 16,450,839	$ 8,486,142	$ 24,936,981
Stock issuance costs	-	(420)	-	-	-	-	-	-	-	-	-	-	(420)	-	(420)
Accretion of stock issuance costs	-	28,298	-	132,472	-	4,958	-	-	-	-	-	(163,728)	-	-	-
Common stock-based compensation	-	-	-	-	-	-	-	-	-	-	22,184	-	22,184	-	22,184
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	121,500	121,500
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,920,473)	(1,920,473)
Net income	-	-	-	-	-	-	-	-	-	-	-	758,830	758,830	2,682,563	3,441,393
Balance at December 31, 2010	15,177,285	11,442,519	38,348,991	29,047,377	18,434,373	8,872,390	3,826,586	3,827	2,348,237	242,884	1,874,313	(34,252,487)	17,276,533	9,379,732	26,656,265
Issuance of stock	7,852,022	5,995,804	-	-	-	-	106,250	106	-	-	4,144	-	6,000,054	-	6,000,054
Issuance of warrants	-	-	-	-	-	-	-	-	157,150	138,292	-	-	138,292	-	138,292
Stock issuance costs	-	(10,189)	-	-	-	-	-	-	-	-	-	-	(10,189)	-	(10,189)
Accretion of stock issuance costs	-	14,958	-	82,281	-	2,334	-	-	-	-	-	(79,554)	-	-	-
Common stock-based compensation	-	-	-	-	-	-	-	-	-	-	28,730	-	28,730	-	28,730
Contributions from noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	2,447,592	2,447,592
Distributions to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,576,272)	(3,576,272)
Net income	-	-	-	-	-	-	-	-	-	-	-	12,010,005	12,010,005	2,508,410	14,518,415
Balance at December 31, 2011	23,029,287	$ 17,443,093	38,348,991	$ 29,129,658	18,434,373	$ 8,874,724	3,932,755	$ 3,933	2,496,387	$ 380,886	$ 2,007,187	$ (22,322,046)	$ 35,437,425	$ 10,759,462	$ 46,196,887

See accompanying notes to consolidated financial statements.

Centerre Healthcare Corporation

Consolidated Statements of Cash Flows

Year Ended December 31,	2011	2010
Cash flows from operating activities		
Net income	$ 14,518,415	$ 3,436,441
Adjustments to reconcile operating income to net cash provided by operating activities:		
Equity earnings from joint ventures	(2,669,899)	(2,144,324)
Deferred income tax benefit	(11,287,148)	-
Depreciation and amortization	1,061,039	926,724
Common stock-based compensation	28,730	22,184
Amortization of line of credit discount	57,622	-
Provision for (recovery of) bad debts	294,670	(10,000)
Deferred rent	596,337	499,551
(Increase) decrease in operating assets:		
Accounts receivable	(1,799,158)	147,619
Related party receivables	(243,406)	133,079
Inventories	(50,513)	(86,430)
Prepaid expenses and other current assets	(385,380)	73,303
Other assets	(7,469)	4,200
Increase (decrease) in operating liabilities:		
Accounts payable	223,137	(287,377)
Accrued expenses	1,065,887	83,459
Other current liabilities	8,429	366,478
Net cash provided by continuing activities	1,411,293	3,164,907
Net cash provided by discontinued operations	-	4,952
Net cash provided by operating activities	1,411,293	3,169,859
Cash flows from investing activities		
Purchases of property and equipment	(2,630,204)	(853,361)
Investments in joint ventures	-	(611,840)
Distributions from investments in joint ventures	2,751,150	2,284,660
Net cash provided by investing activities	120,946	819,459
Cash flows from financing activities		
Proceeds from revolving lines of credit, net	-	931,130
Proceeds from notes payable	1,660,411	377,787
Payments on notes payable	(552,965)	(1,123,421)
Proceeds from issuance of stock	6,000,054	-
Stock issuance costs	(10,189)	(420)
Contributions from noncontrolling interests in subsidiaries	337,592	121,500
Distributions to noncontrolling interests in subsidiaries	(3,576,272)	(1,920,473)
Net cash provided by (used in) financing activities	3,858,631	(1,613,897)
Net increase in cash and cash equivalents	5,390,870	2,375,421
Cash and cash equivalents at beginning of year	12,893,203	10,517,782
Cash and cash equivalents at end of year	$ 18,284,073	$ 12,893,203
Supplemental schedule of noncash investing and financing activities:		
Capital lease agreement	$ -	$ 246,213
Conversion of line of credit to note payable	$ -	$ 614,908
Contribution of intangible asset	$ 2,110,000	$ -
Issuance of detachable stock warrants	$ 138,292	$ -
Supplemental cash flow information:		
Cash paid for interest, net	$ 322,138	$ 334,234

See accompanying notes to consolidated financial statements.

1. Corporation ownership and nature of business

Centerre Healthcare Corporation (the "Corporation") is a national company dedicated to developing and operating rehabilitation hospitals in partnership with leading acute hospitals. The Corporation was incorporated in the state of Delaware in 1999.

The Corporation has a partnership interest in and provides certain management services for five rehabilitation hospitals: Lancaster Rehabilitation Hospital, Mercy Rehabilitation Hospital – St Louis, Methodist Rehabilitation Hospital, The Rehabilitation Hospital of Wisconsin and Texas Rehabilitation Hospital of Fort Worth (collectively the "Hospitals"). Lancaster Rehabilitation Hospital and Mercy Rehabilitation Hospital – St. Louis opened in 2007. Methodist Rehabilitation Hospital and The Rehabilitation Hospital of Wisconsin opened in 2008. Texas Rehabilitation Hospital of Fort Worth opened in 2011. Additionally, the Corporation plans to open four additional hospitals during 2012 and 2013. Mercy Rehabilitation Hospital – Oklahoma City and Beachwood Rehabilitation Hospital are planned to open in 2012, and St. Mary's Rehabilitation Hospital and Community Health Network Rehabilitation Hospital are planned to open in 2013.

2. Summary of significant accounting policies

The significant accounting policies followed by the Corporation are described below and are in conformity with accounting principles generally accepted in the United States of America.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Corporation does not have any fair value measurements using significant unobservable inputs (Level 3) as of December 31, 2011 or 2010.

Use of estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation - The consolidated financial statements include the accounts of subsidiaries in which ownership is greater than 50% of the voting interest. Investments in entities in which the ownership percentage is between 20 - 50% of the voting interests are accounted for using the equity method, which records as income (loss) an ownership percentage of the reported income (loss) of the entity. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Corporation owns a 50.50% interest in Mercy Rehabilitation Hospital - St. Louis, LLC, formerly St. John's Mercy Rehabilitation Hospital, LLC, ("St. John's") which provides rehabilitation services in St. Louis, Missouri. The investment is accounted for by consolidation. The remaining 49.50%, which is considered to be the noncontrolling interest, is owned by Mercy Hospital – St Louis, formerly St. John's Mercy Health System ("MHSL").

The Corporation owns a 51.00% interest in the Rehabilitation Hospital of Wisconsin, LLC ("RHOW") which provides rehabilitation services in Waukesha, Wisconsin. The investment is accounted for by consolidation. The remaining 49.00%, which is considered to be the noncontrolling interest, is owned by Waukesha Memorial Hospital, Inc ("WMH").

The Corporation owns a 70.00% interest in Texas Rehabilitation Hospital of Fort Worth, LLC ("TRHFW"), which provides rehabilitation services in Fort Worth, Texas. The investment is accounted for by consolidation. The remaining 30.00%, which is considered to be the noncontrolling interest, is owned by Texas Health Harris Methodist Fort Worth ("THHFW").

The Corporation owns a 50.50% interest in Mercy Rehabilitation Hospital ("MRH"), which will provide rehabilitation services in Oklahoma City, OK. The investment is accounted for by consolidation. The remaining 49.50%, which is considered to be the noncontrolling interest, is owned by Mercy Health Center ("MHC").

The Corporation owns a 55.00% interest in Beachwood Rehabilitation Hospital, LLC ("Beachwood"), which will provide rehabilitation services in Cleveland, OH. The investment is accounted for by consolidation. The remaining 45.00%, which is considered to be the noncontrolling interest, is owned by University Hospitals Health System ("UHHS").

The Corporation owns a 50.00% interest in Lancaster Rehabilitation Hospital, LLP ("Lancaster"), which provides rehabilitation services in Lancaster, Pennsylvania. The investment is accounted for under the equity method. The remaining 50.00% is owned by Lancaster General Hospital ("LGH").

The Corporation owns a 31.00% interest in MHS-CHC I, LP ("Methodist"), which provides rehabilitation services in Dallas, Texas. The investment is accounted for under the equity method. The remaining 69.00% is owned by Methodist Health System ("MHS").

The Corporation owns a 41.00% interest in St. Mary Rehabilitation Hospital ("SMRH"), which will provide rehabilitation services in Langhorne, PA. The investment is accounted for under the equity method. The remaining 59.00% is owned by St. Mary Medical Center ("SMMC").

The Corporation owns a 49.00% interest in Community Health Network Rehabilitation Hospital ("CRH"), which will provide rehabilitation services in Indianapolis, IN. The investment is accounted for under the equity method. The remaining 51.00% is owned by Community Health Network, Inc. ("CHN").

Cash and cash equivalents - The Corporation considers all highly-liquid investments with a maturity upon acquisition of three months or less to be cash equivalents.

Allowance for doubtful accounts - Accounts receivable primarily consist of amounts due from third-party payors and patients. The Hospitals' ability to collect outstanding receivables is critical to the Corporation's results of operations and cash flows. To provide for accounts receivable that could become uncollectible in the future, the Hospitals establish an allowance for doubtful accounts to reduce the carrying value of such receivables to their estimated net realizable value. The primary uncertainty of such allowances lies with uninsured patient receivables and deductibles, co-payments or other amounts due from individual patients.

The Hospitals have an established process to determine the adequacy of the allowance for doubtful accounts that relies on a number of analytical tools and benchmarks to arrive at a reasonable allowance. No single statistic or measurement determines the adequacy of the allowance for doubtful accounts. Some of the analytical tools that the Hospitals utilize include, but are not limited to, historical cash collection experience, revenue trends by payor classification and revenue days in accounts receivable. Individual patient accounts receivable are written off after collection efforts have been followed in accordance with the Hospitals' policies.

Cost report settlements - Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Adjustments relating to tentative or final settlements to estimated reimbursement amounts resulted in an increase in net patient service revenue of $202,526 and $149,491 for the years ended December 31, 2011 and 2010. Cost report settlement balances are included in other current liabilities in the accompanying consolidated financial statements.

Inventories - Inventories are stated at the lower of cost (first-in, first-out) or market and are comprised of purchased items. These inventory items are primarily operating supplies used in the direct or indirect treatment of patients.

Property and equipment - Property and equipment are recorded at cost. Depreciation is recognized using the straight-line method over the estimated useful lives of equipment which range from 3 to 12 years. Leasehold improvements are amortized over the shorter of the estimated useful life or the respective lease term.

Expenditures for repairs, maintenance and minor renewals are charged to income as incurred. Expenditures, including the cost of parts and internal labor, which improve an asset or extend its estimated useful life, are capitalized. When equipment is retired or otherwise disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss is included in operations.

The carrying value of property and equipment is assessed for recoverability by management based on analysis of future undiscounted cash flows expected to result from the use and expected disposition of the asset. An impairment loss is recognized in income if the carrying amount of the asset is not recoverable and exceeds its fair value. Management believes there has been no impairment at December 31, 2011 or 2010.

Intangible assets - Intangible assets with indefinite lives are not amortized but reviewed for impairment annually or more frequently if certain indicators arise. Management believes there is no impairment at December 31, 2011 or 2010.

Warrants – Warrants associated with a line of credit are recorded as a discount, at fair value. The discount is amortized over the life of the loan, which approximates the effective interest method. The amortization is included in interest expense in the consolidated financial statements.

Deferred rent – Certain of the Hospitals' facility leases provide for escalating rent payments over the life of the lease. Generally accepted accounting principles require that the rent expense be recognized on a straight-line basis over the life of the lease. This accounting results in a non-interest bearing liability that increases during the early portion of the lease term, as the cash paid is less than the expense recognized, and reverses by the end of the lease term.

Net patient revenue - The Hospitals recognize revenues in the period in which services are performed. Accounts receivable primarily consist of amounts due from third-party payors and patients. Amounts the Hospitals receive for treatment of patients covered by governmental programs such as Medicare and Medicaid and other third-party payors such as health maintenance organizations, preferred provider organizations and other private insurers are generally less than the Hospitals' established billing rates. Accordingly, the revenues and accounts receivable reported in the consolidated financial statements are recorded at the net amount expected to be received.

The Hospitals derive a significant portion of their revenues from Medicare, Medicaid and other payors that receive discounts from their established billing rates. The Hospitals estimate the total amount of these discounts to prepare their financial statements. The Medicare and Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment. The Hospitals estimate the allowance for contractual discounts on a patient-specific basis given their interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from the Hospitals' estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management. Changes in estimates related to the allowance for contractual discounts affect revenues reported in the consolidated statements of operations.

Self-pay revenues are derived primarily from patients who do not have any form of healthcare coverage. The revenues associated with self-pay patients are generally reported at the Hospitals' gross charges. The Hospitals evaluate these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid or other governmental assistance programs, as well as the Hospitals' policy for charity/indigent care.

Charity care - The Hospitals provide care without charge to certain patients who qualify under their charity care policies. For the years ended December 31, 2011 and 2010, the Hospitals provided direct and indirect costs of $291,824 and $110,915 in charity care, respectively. The Hospitals do not report a charity care patient's charges in revenues or in the provision for doubtful accounts, as it is the Hospitals' policy not to pursue collection of amounts related to services provided to these patients.

Noncontrolling interests - Consolidated net earnings (loss) is reduced by the proportionate amount of earnings (loss) associated with noncontrolling interests. Noncontrolling interests represent the equity interest of third-parties in consolidated entities which are not wholly-owned.

Income taxes - The Corporation accounts for taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income.

Under generally accepted accounting principles, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Corporation has no material uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

As of December 31, 2011 and 2010, the Corporation has accrued no interest and no penalties related to uncertain tax positions. It is the Corporation's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Corporation files U.S. Federal income tax returns and state returns under the states of Arizona, California, Delaware, Georgia, Missouri, Oklahoma, Pennsylvania, Tennessee, Texas and Wisconsin. The Corporation is currently open to audit under the statute of limitations for years ended December 31, 2008 through 2011.

Stock-based compensation - The Corporation accounts for stock-based compensation using the share-based payments method. Accordingly, stock-based compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period.

Discontinued operations - The Corporation ceased operations in two of its wholly-owned rehabilitation hospitals in 2007. The income and expenses related to the closed hospitals are accounted for as discontinued operations.

Adoption of new accounting pronouncements – In September 2011, the Financial Accounting Standards Board ("FASB") issued accounting standards relating to goodwill and other intangibles. This guidance allows an entity the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative impairment test prescribed by current accounting

standards. Under that option, an entity would no longer be required to calculate the fair value of a reporting unit unless the entity determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. An entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to the quantitative impairment test, and then resume performing the qualitative assessment in any subsequent period. These standards are effective for annual and interim impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. The Corporation elected to adopt the new guidance during 2011.

In August 2010, accounting standards relating to the presentation of insurance claims and related insurance recoveries for health care entities were amended to require the entity to recognize an insurance receivable at the same time that it recognizes the liability, measured on the same basis of the liability. These amendments are effective for financial statements for fiscal years beginning after December 15, 2010. Therefore the Corporation adopted these standards at the beginning of 2011.

In August 2010, accounting standards relating to the disclosure of charity care for health care entities were amended to require the entity to measure charity care based on the direct and indirect costs of providing the charity care. These amendments are effective for financial statements for fiscal years beginning after December 15, 2010. Therefore the Corporation adopted these standards at the beginning of 2011.

The impact of adopting these accounting standards was not material to the consolidated financial statements.

New accounting pronouncements – In July 2011, the FASB issued accounting standards that require changes in financial statement presentation and enhanced disclosures by health care entities that recognize significant amounts of patient service revenue at the time services are rendered without taking account of patients' ability to pay. These standards require health care entities to change the presentation of their statement of operations by

reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, these entities will be required to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. These standards are effective for fiscal years ending after December 15, 2012, and therefore the Corporation expects to adopt these standards at the beginning of 2012. The Corporation is currently assessing the impact of adopting these accounting standards.

Events occurring after the reporting date – The Corporation has evaluated events and transactions that occurred between December 31, 2011 and April 27, 2012, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements. See Note 15 for disclosure of subsequent events occurring after December 31, 2011.

3. Credit risk and other concentration

The Corporation and the Hospitals maintain cash and cash equivalents on deposit at banks in excess of federally insured amounts. The Corporation and the Hospitals have not experienced any losses in such accounts and management believes the Corporation and Hospitals are not exposed to any significant credit risk related to cash and cash equivalents.

Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors, including consumers, businesses, and government entities. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution.

During 2011 and 2010, approximately 64% and 62% of the Hospitals' revenues related to patients participating in Medicare and Medicaid programs, respectively. Accounts receivable from

Medicare and Medicaid accounted for approximately 58% and 53% of accounts receivable as of December 31, 2011 and 2010, respectively. The Corporation's management recognizes that revenues and receivables from government agencies are significant to the Hospitals' operations, but it does not believe that there are significant credit risks associated with these governmental agencies. The Corporation's management does not believe that there are any other significant concentrations of revenues from any particular payor that would subject the Hospitals to any significant credit risks in the collection of their accounts receivable.

4. Property and equipment

Property and equipment consists of the following at December 31, 2011 and 2010:

	2011	2010
Leasehold improvements	$ 1,558,710	$ 1,537,723
Hospital equipment	4,728,988	3,555,505
Data processing equipment	2,446,153	1,817,229
Construction in process	338,230	-
	9,072,081	6,910,457
Less accumulated depreciation and amortization	(3,976,543)	(3,384,084)
	$ 5,095,538	$ 3,526,373

The construction in progress balance as of December 31, 2011 represents costs in connection with the construction of a 22-bed stroke unit at St. John's, which is scheduled to open on July 1, 2012. Estimated costs to complete this unit amount to approximately $3,600,000.

5. Investments in joint ventures

Condensed financial data for each investment in joint venture for 2011 is as follows (amounts in thousands):

	Lancaster (audited)	Methodist (audited)
Condensed statements of operations		
Net patient and other revenue	$ 20,955	$ 17,080
Total operating expenses	16,895	14,760
Net income	4,060	2,320
Condensed balance sheets		
Current assets	6,143	3,969
Non-current assets	3,958	737
Total assets	$ 10,101	$ 4,706
Current liabilities	$ 2,847	$ 908
Non-current liabilities	735	483
Partners' capital	6,519	3,315
Total liabilities and partners' capital	$ 10,101	$ 4,706

Condensed financial data for each investment in joint venture for 2010 is as follows (amounts in thousands):

	Lancaster (audited)	Methodist (audited)
Condensed statements of operations		
Net patient and other revenue	$ 19,047	$ 15,947
Total operating expenses	15,745	14,273
Net income	3,302	1,674
Condensed balance sheets		
Current assets	5,385	3,596
Non-current assets	4,114	847
Total assets	$ 9,499	$ 4,443

Current liabilities	$	2,158	$	746
Non-current liabilities		812		392
Partners' capital		6,529		3,305
Total liabilities and partners' capital	$	9,499	$	4,443

The Corporation is in development and construction of SMRH and CRH. These entities are consolidated as investment in joint ventures, and had net losses of $183,625 and $8,125, respectively. The equity accounts of SMRH and CRH have accumulated losses of $213,685 and $8,125, respectively.

6. Intangible assets

In conjunction with the initial capitalization of St. John's, MHSL contributed a separately identifiable intangible asset for its previously existent rehabilitation line of business that was operated within MHSL. The value assigned to the line of business is estimated to have an indeterminate useful economic life and is evaluated for impairment annually. This contribution did not include any significant tangible assets or liabilities. This contribution was valued, by an independent agency, to be worth $7,850,000. This amount was used as MHSL's contribution to St. John's and was recorded as a separately identifiable intangible asset.

In conjunction with the initial capitalization of RHOW, WMH contributed a separately identifiable intangible asset for its previously existent rehabilitation line of business that was operated within WMH. The value assigned to the line of business is estimated to have an indeterminate useful economic life and is evaluated for impairment annually. The contribution did not include any significant tangible assets or liabilities. The contribution was valued, by an independent agency, to be worth $2,440,000. This amount was used as WMH's contribution to RHOW and was recorded as a separately identifiable intangible asset.

In conjunction with the initial capitalization of TRHFW during 2011, THHFW contributed a separately identifiable intangible asset for its previously existent rehabilitation line of business that was operated within THHFW. The value assigned to the line of

business is estimated to have an indeterminate useful economic life and is evaluated for impairment annually. The contribution did not include any significant tangible assets or liabilities. The contribution was valued, by an independent agency, to be worth $2,110,000. This amount was used as THHFW's contribution to TRHFW and was recorded as a separately identifiable intangible asset.

7. Debt

Lines of credit consist of the following at December 31, 2011 and 2010:

	2011	2010
Line of credit with Square One Bank with an availability of $8,000,000, with interest payable monthly at a variable rate (5% at December 31, 2011) with principal balance due at maturity in June 2012, secured by the assets of the Corporation.	$ 4,000,000	$ 4,000,000
Line of credit with UMB Bank with an availability of $2,500,000, with interest payable monthly at an index rate determined by the lender (2.75% at December 31, 2011) with principal balance due at maturity in June 2012, secured by the assets of St. John's.	1,375,000	1,375,000
	5,375,000	5,375,000
Line of credit discount	(80,670)	-
	$ 5,294,330	$ 5,375,000

In connection with the extension of the Square One Bank line of credit in 2011, the Corporation issued detachable stock warrants (the "Warrants") that are exercisable into 157,150 shares of the Company's Series C convertible preferred stock. The warrants are reflected in the consolidated financial statements as a discount on the line of credit and an increase in stock warrants. The discount is being amortized using a method that approximates the effective interest method over the term of the line of credit. The fair value of the warrants on the date of issuance was $138,292.

The warrants are exercisable at $0.76 per share. The number of warrants and the price per exercisable share are subject to certain adjustments as provided in the warrant agreement. The warrants expire on July 22, 2018.

Management is currently in negotiations to restructure or extend the $8,000,000 line of credit and anticipates the transaction will be completed prior to the date of maturity.

Management is currently in negotiations with UMB Bank to extend the $2,500,000 line of credit and anticipates the extension will be completed prior to the date of maturity.

Notes payable consist of the following at December 31, 2011 and 2010:

	2011	2010
Note payable to WMH with interest payable at a fixed rate of 5%. The note was unsecured and repaid in June 2011.	$ -	$ 186,751
Capital lease obligation with monthly payments of $3,399, which includes principal and interest based on a fixed rate of 9.88%, with final installment due in March 2016.	141,081	-

Capital lease obligation with monthly payments of $5,941, which includes principal and interest based on a fixed rate of 7.4%, with final installment due in November 2014.	208,918	241,790
Note payable due in monthly installments of $12,000 with interest payable at a fixed rate of 6%, with final installment due in May 2015.	437,472	551,484
Note payable due in monthly installments of $50,000, which includes principal and interest based on a fixed rate of 5.0%. The balance is amortized over a period of 30 months with final installment due in February 2014.	1,300,000	-
	2,087,471	980,025
Less short-term balance	(806,287)	(356,025)
Long-term balance	$ 1,281,184	$ 624,000

The Corporation's credit facilities have certain financial covenant requirements of which the Corporation was in compliance at December 31, 2011 and 2010.

Future maturities of debt at December 31, 2011 are as follows:

Year Ending December 31,	
2012	$ 6,181,287
2013	821,231
2014	337,307
2015	112,615
2016	10,031
Total	$ 7,462,471

8. Preferred stock

Series A and Series A-1 preferred stock were issued in September 2002 when the Corporation was initially funded. Subsequent to the issuance of the Series A and Series A-1 preferred stock the investors entered into a note and warrant purchase agreement dated August 15, 2003 whereby the Series A and A-1 investors loaned certain monies to the Corporation in exchange for promissory notes and warrants. The warrants expire in August 2013.

In June 2005, the Corporation issued its Series B preferred stock to existing and new investors. As part of that transaction, the promissory notes dated December 30, 2004 were converted (principal and interest) into shares of Series B preferred stock.

Series C preferred stock was issued to existing investors for approximately $11,500,000 and $6,000,000 in October 2008 and January 2011, respectively, as part of a qualified equity financing in accordance with the bridge loan agreement. A "Qualified Equity Financing" is defined as the first sale of preferred stock of the Corporation following the date of the note purchase agreement that results in cash proceeds to the Corporation (excluding the conversion of the bridge loans) of at least $5 million. The outstanding principal and accrued interest amounting to $6,589,361 under the bridge loans was converted into Series C preferred stock.

BVP Affiliates Fund Limited and Baird Venture Partners Limited (collectively, "Baird"), invested in Series A, A-1, and B preferred stock. Baird did not invest in the Series C preferred stock and as a result of the provisions of the Series C stock purchase agreement the previous classes of preferred stock held by Baird were converted to common stock during 2008 on a one-for-one basis.

In 2007, warrants were issued to holders pursuant to the Corporation's bridge loans and warrant purchase agreements. Each lender was issued warrants amounting to 20% of the principal amount of the bridge loan issued to such lender. Each warrant shall be exercisable for that number of shares of common stock at an exercise price of $.01. The warrants expire in July 2017.

Voting
Each holder of preferred stock has voting rights equal to an equivalent number of shares of common into which it is convertible.

Conversion
Each share of preferred stock may at the option of the shareholder be converted at any time into shares of common stock by dividing the original issue price by the conversion price, as defined, subject to adjustments under specific circumstances. Each share of preferred stock automatically coverts into the number of shares of common stock into which such shares are convertible immediately upon the earlier of: 1) the closing of an initial public offering which results in gross cash proceeds to the Corporation of $30,000,000 or 2) 60% of the consent of the holders of preferred stock. The preferred stock is redeemable at the option of the holder upon written notice to the Corporation of the intent to convert previously held preferred shares into common shares.

Redemption
At any time after October 10, 2014, the holders of not less than sixty percent (60%) of the then outstanding shares of Series A/A-1 preferred stock, Series B preferred stock and Series C preferred stock, voting together as a single class, on an as-converted basis (the "Preferred 60% Majority"), may elect to have the Corporation

redeem their Series A/A-1 preferred stock, Series B preferred stock and Series C preferred stock at the preferred stock redemption price (defined below) by delivering written notice of such election (the "Redemption Election") to the Corporation.

The "Preferred Stock Redemption Price" payable with respect to each share of preferred stock shall be equal to the greater of (i) the fair market value (determined without any discount for minority interest, restrictions on transfer, lack of marketability or similar factors) of such share of Series A/A-1 preferred stock, Series B preferred stock, and Series C preferred stock on the date the Redemption Election is received by this Corporation, or (ii) the Original Series A/A-1 Issue Price in the case of the Series A/A-1 preferred stock, the Original Series B Issue Price in the case of the Series B preferred stock, and the Original Series C Issue Price in the case of the Series C preferred stock (as adjusted for any stock splits, stock dividends, recapitalizations or the like), in each case plus all declared but unpaid dividends on each share of preferred stock after the date hereof to be redeemed. The Corporation is recording accretion of stock issuance costs through October 2014 based on the original issue prices.

Dividends

Holders of Series C preferred stock shall be entitled to receive noncumulative dividends at the per annum rate of 8%, out of any assets legally available thereof, prior to and in preference to any declaration or payment of any dividend of the Series A preferred stock, Series A-1 preferred stock, Series B preferred stock, or common stock of the Corporation.

Holders of Series A, A-1, and B preferred stock shall be entitled to receive noncumulative dividends at the per annum rate of 8%, out of any assets legally available thereof, prior to and in preference to any declaration or payment of any dividend on the common stock of the Corporation.

Only declared but unpaid dividends, of which there are none as of December 31, 2011 or 2010, are reflected within the consolidated financial statements.

The holders of preferred stock are also entitled to participate in dividends on common stock on an as-if converted basis.

Liquidation Preference
In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, the holders of Series C preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to all other holders of the Corporation's securities, an amount per share equal to the sum of the original issue price plus all declared but unpaid dividends on those shares.

After the payment in full to the holders of the Series C preferred stock, the holders of Series A, A-1, and B preferred stock shall be entitled to receive, prior to an in preference to any distribution of any of the assets of the Corporation to all other holders of the Corporation's securities other than to the holders of Series C preferred stock, an amount per share equal to the sum of the original issue price plus all declared but unpaid dividends on those shares.

After payment of the liquidation preference, any remaining assets of the Corporation are distributed pro-rata amount the holders of the preferred stock and holders of the common stock. If upon the occurrence of such event, the assets and funds distributed among the preferred stock holders is insufficient to permit the payment to such holders of the full preferential amount, the entire assets and funds of this Corporation legally available for distribution shall be distributed ratably among the holders of the preferred stock in proportion to the full proportional amount that each such holder is otherwise entitled to receive.

After payment has been made to the preferred stock shareholders, the remaining assets legally available for distribution shall be distributed among the holders of the preferred stock on an as-converted basis and common stock pro rata based on the number of shares of common stock held by each.

9. Common stock

The Corporation's certificate of incorporation as amended authorizes the Corporation to issue 95,504,666 shares of $.001 par value common stock.

Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available, as and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding.

10. Stock option plan

In 2002, the Corporation adopted the 2002 Stock Option Plan (the "Plan"). The Plan provides for the granting of stock options to employees, outside directors and consultants of the Corporation. Options granted under the Plan may be either incentive stock option or nonqualified stock options. Incentive stock options ("ISO") may be granted only to company employees (including officers and directors who are also employees). Non-qualified stock options ("NSO") may be granted to Corporation employees and outside directors and consultants. All stock options have four year terms and expire ten years from the date of grant. The Corporation has reserved shares of common stock for issuance under the Plan.

Stock option activity for the years ended December 31, 2011 and 2010 is summarized as follows:

	Shares	Option Price/Share	Weighted Average Price/Share
Outstanding at December 31, 2009	6,139,862	$ 0.04-0.10	$ 0.08
Granted	560,000	$ 0.08	$ 0.08
Forfeited	(430,000)	$ 0.08	$ 0.08
Outstanding at December 31, 2010	6,269,862	$ 0.04-0.10	$ 0.08
Granted	2,161,550	$ 0.16	$ 0.16
Exercised	(106,250)	$ 0.04	$ 0.04
Forfeited	(343,750)	$0.04- 0.08	$ 0.06
Outstanding at December 31, 2011	7,981,412	$ 0.04-0.16	$ 0.10

As of December 31, 2011, the weighted-average remaining contractual life of the outstanding options was approximately seven years. As of December 31, 2011, 4,751,973 options were exercisable under the Plan.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the following assumptions: 1) expected volatility; 2) expected term (in years); and 3) risk free rate. Expected volatility is based on selected public healthcare companies. The expected term of options granted is based on the vesting period. The risk-free rate for each option is based on the U.S. Treasury yield curve in effect at the time of the grant. The fair value of the options granted during 2011 and 2010 was $0.16 and $0.08 per share, respectively. For the years ending December 31, 2011 and 2010 stock compensation expense amounted to $28,730 and $22,184, respectively.

11. Related party transactions

The Corporation provides certain management services to CRH, SMRH, Lancaster and Methodist. These Hospitals pay the Corporation a fixed monthly management fee and also reimburse the Corporation for direct general and administrative expenses. The Corporation also purchases healthcare benefits as well as incurs start-up costs related to equipment and services during each hospital's first year of operation. These additional expenditures are reimbursed to the Corporation at cost. Management fee revenue received from these Hospitals during 2011 and 2010 was $991,668 and $881,675 respectively.

The amount receivable from CRH as of December 31, 2011 amounted to $4,125. There were no receivables from CRH as of December 31, 2010.

The amount receivable from SMRH as of December 31, 2011 and 2010 amounted to $211,685 and $30,000, respectively.

The amount receivable from Lancaster as of December 31, 2011 and 2010 amounted to $48,334 and $7,399, respectively.

The amount receivable from Methodist as of December 31, 2011 and 2010 amounted to $23,860 and $7,199, respectively.

12. Commitments and contingencies

Legal - The Corporation and Hospitals are, from time to time, subject to various claims and legal actions arising in the normal course of business. In the opinion of management, any such claims and actions will be either adequately covered by insurance or will not have a material adverse effect on the Corporation's or Hospitals' financial position, results of operations or liquidity.

Payors - Laws and regulations governing Medicare, Medicaid, and other payor health care programs are complex and subject to interpretation. The Hospitals' management believes that the Hospitals are in compliance with all applicable laws and regulations in all material respects. Compliance with such laws and regulations is subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare, Medicaid, and other payor health care programs.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare and Medicaid payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare and Medicaid billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors than by Hospital management. As the amount of recovery, if any, is unknown, management has not recorded any reserves related to a potential RAC audit at this time.

Healthcare Reform - In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act ("collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments

are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Hospitals' operations.

Leases - The Corporation's corporate offices, located in Brentwood, Tennessee, are leased from Park Center Partnership II. The lease expires on December 31, 2013. The lease contains a fixed escalation provision requiring monthly lease payments to increase by 2.5% annually. Corporate rent expense, on a straight-line basis, for 2011 and 2010 was $132,900 and $130,399, respectively. The related deferred rent of $13,112 and $8,125 as of December 31, 2011 and 2010, respectively, is included in long-term liabilities in the accompanying consolidated financial statements.

The approximate future minimum lease payments under the Corporation's operating lease are as follows:

Year Ending December 31,	Amount
2012	$ 131,000
2013	147,000
Total	$ 278,000

St. John's leases its facilities as part of a 20 year operating lease with G&E Healthcare REIT. The lease contains a fixed escalation provision requiring monthly lease payments to increase by 2% annually. Rent expense, on a straight-line basis, for 2011 and 2010 was $3,599,148, respectively. The related deferred rent of $2,393,188 and $1,963,916 as of December 31, 2011 and 2010, respectively, is included in long-term liabilities in the accompanying consolidated financial statements.

The approximate future minimum lease payments under St. John's operating leases are as follows:

Year Ending December 31,	Amount
2012	$ 4,139,000
2013	4,128,000
2014	4,125,000
2015	4,106,000
2016	4,079,000
Thereafter	43,511,000
Total	$64,088,000

RHOW leases its facilities as part of a 15 year operating lease with WMH. Monthly lease payments increase each year by a factor based on 70% of the Consumer Price Index. During the years ended December 31, 2011 and 2010, rent expense under this lease was $1,077,132 and $1,120,434, respectively.

The approximate future minimum lease payments under RHOW's operating leases are as follows:

Year Ending December 31,	Amount
2012	$ 1,175,000
2013	1,168,000
2014	1,155,000
2015	1,155,000
2016	1,155,000
Thereafter	7,696,000
Total	$13,504,000

TRHFW leases a building and grounds under 15 and 60 year operating leases, respectively. The ground lease contains a fixed escalation provision requiring monthly lease payments to increase by 2.5% annually. Rent expense, on a straight-line basis, for 2011 was $1,118,098. The related deferred rent of $28,745 at December

31, 2011 is included in long-term liabilities in the accompanying consolidated financial statements. The ground lease terminates automatically, without penalty, upon termination of the building lease. As such, the fixed escalation provision and future minimum lease payments for the ground lease are accounted for and disclosed over the same 15 year period as the building lease.

In connection with the building lease, TRHFW will receive approximately $150,000 from the landlord as a lease incentive to assist with tenant build-out expenditures. TRHFW is amortizing the incentive over the life of the related lease agreement as a reduction in rental expense. The lease incentive is included in other current assets and other long-term liabilities in the accompanying consolidated financial statements.

The approximate future minimum lease payments under TRHFW's operating leases are as follows:

Year Ending December 31,	Amount
2012	$ 1,637,000
2013	1,642,000
2014	1,648,000
2015	1,654,000
2016	1,660,000
Thereafter	15,811,000
Total	$24,052,000

13. Income Taxes

The income tax provision for the years ended December 31, 2011 and 2010 consists of:

	2011	2010
Current provision	$ 71,029	$ -
Deferred tax expense (benefit)	489,852	(323,000)
Change in valuation allowance	(11,777,000)	323,000
Total	$(11,216,119)	$ -

Net deferred income tax assets at December 31, 2011 are as follows:

	Current	Long-term
Deferred income tax assets	$ 415,687	$ 10,871,461
Deferred income tax liabilities	-	-
Less valuation allowance	-	-
Net deferred income tax assets	$ 415,687	$ 10,871,461

Net deferred income tax assets at December 31, 2010 are as follows:

	Current	Long-term
Deferred income tax assets	$ 313,000	$ 11,491,000
Deferred income tax liabilities	-	(27,000)
Less valuation allowance	(313,000)	(11,464,000)
Net deferred income tax assets	$ -	$ -

The deferred income tax assets result primarily from federal and state net operating loss carryforwards. At December 31, 2011, the Corporation had approximately $28,000,000 of net operating loss carryforwards available to offset future taxable income. The losses have a carryforward period of no more than 20 years and begin to expire in 2024 and may be subject to other limitations.

The Corporation has determined that based on historical positive operating factors and tax planning strategies available to the Corporation, net deferred tax assets at December 31, 2011 will be utilized to offset future taxes except for net operating loss carry-forward generated in the State of Arizona. The State of Arizona net operating loss carry-forward was written-off as of December 31, 2011. No valuation allowance is necessary as of December 31, 2011.

14. Discontinued Operations

During the fourth quarter of 2006, the Corporation ceased operations of its Westchester Rehabilitation Hospital and Phoenix Rehabilitation Hospital due to a change in the Corporation's business model regarding stand-alone hospitals.

In 2010, the Corporation generated income of $4,952 from discontinued operations upon collection of previously written-off accounts receivable. No income or loss from discontinued operations was generated in 2011.

15. Subsequent events

In February 2012, Square One Bank (the "Bank") issued a letter of credit for TRHFW, subject to the terms of a master letter of credit agreement, not to exceed $750,000. The letter of credit is secured by the balance(s) in any deposit account issued by the bank in TRHFW's name.

In 2012, the consolidated joint ventures declared and paid cash distributions of $3,063,478 to its members, of which the Corporation received $1,781,248.

In 2012, joint ventures in which the Corporation has equity interests declared and paid cash distributions of $4,426,691 to its members, of which the Corporation received $2,044,874.

In 2012, the Corporation made contributions of approximately $57,000 to consolidated joint ventures and $56,000 to joint ventures in which the Corporation has equity interests, respectively.

License

Orderly Development 7 (c)

Board for Licensing Health Care Facilities

State of Tennessee

0000000105

No. of Beds 0068

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

BAPTIST MEMORIAL REGIONAL REHABILITATION SERVICES, INC. *to conduct and maintain a*

Hospital BAPTIST REHABILITATION-GERMANTOWN

Located at 2100 EXETER ROAD, GERMANTOWN

County of SHELBY, *Tennessee.*

This license shall expire JUNE 16, 2013, *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 1ST *day of* JULY, 2012.

In the Distinct Category(ies) of: GENERAL HOSPITAL

By Vincent J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [signature]

COMMISSIONER

State Survey/Inspection

Orderly Development 7 (d)

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301-3203

February 13, 2008

Ms. Susan Stralka, Administrator
Baptist Rehab Germantown
2100 Exeter Road
Germantown, TN 38138

RE: Licensure Survey

Dear Ms. Stralka:

We are pleased to advise you that no deficiencies were cited as a result of the licensure survey completed at your facility on **February 6, 2008**. The attached form is for your files.

If this office may be of any assistance to you, please do not hesitate to call (731) 421-5113.

Sincerely,

Celia Skelley, MSN, RN
Public Health Nurse Consultant 2

CES/TJW

Enclosure

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TN#531106	A. BUILDING _____ B. WING _____	02/06/2008

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
BAPTIST REHABILITATION GERMANTOWN	2169 EXETER ROAD GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 002	1200-8-1 No Deficiencies This Rule is not met as evidenced by: This facility complies with all requirements for participation in the Hospital Facilities program reviewed during the annual licensure survey conducted on 2/6/08.	H 002		

Division of Health Care Facilities

TITLE (X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

ATE FORM U23K11 If continuation sheet 1 of 1

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301-3203

February 25, 2008

Ms. Susan Stralka, Administrator
Baptist Rehab Germantown
2100 Exeter Road
Germantown, TN 38138

RE: Fire Safety Licensure Survey

Dear Ms. Stralka:

Enclosed is the statement of deficiencies for the fire safety licensure survey completed at your facility on February 21, 2008. Based upon 1200-8-1-.08, you are asked to submit an acceptable plan of correction for achieving compliance with completion dates, and signature 10 days from the date of this letter.

Please address each deficiency separately with positive and specific statements advising this office of a plan of correction that includes acceptable time schedule, which will lead to the correction of the cited deficiencies. Enter on the right side of [illegible] State Form, opposite the deficiencies, your planned action to correct the deficiencies and the expected completion [illegible]e. The completion date can be no longer than 45 days from the day of survey. Before the plan can be considered "acceptable," it must be signed and dated by the administrator

Your plan of correction must contain the following:

- How the deficiency will be corrected;
- How the facility will prevent the same deficiency from recurring.
- The date the deficiency will be corrected;
- How ongoing compliance will be monitored.

Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

If assistance is needed, please feel free to call me at 731-421-5113.

Sincerely,

Celia Skelley/TW

Celia Skelley, MSN, RN
Public Health Consultant Nurse 2

CS/TW

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531105	A. BUILDING 01 - MAIN BUILDING 01 B. WING 2007 DEC 14 PM 3 08	02/21/2008

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
BAPTIST REHABILITATION GERMANTOWN	2100 EXETER ROAD GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 871	1200-8-1-.08 (1) Building Standards (1) The hospital must be constructed, arranged, and maintained to ensure the safety of the patient. This Rule is not met as evidenced by: Based on observations, it was determined the facility failed to maintain the corridor fire doors in a manner that would ensure the safety of the residents. The findings include: 2nd floor Observations during the facility tour on 2-21-08 beginning at 9:00 AM, the corridor fire door (A213B) at room 207 did not close and latch. 1st floor Observations during the facility tour on 2-21-08 beginning at 9:00 AM, the Bio-Hazard room door (139B) in Surgery did not close and latch.	H 871	The two doors which were not closing and latching properly have been repaired The facility's preventive maintenance plan includes the checking of doors for closing and latching. This is checked on a monthly basis. Ongoing compliance will be monitored by plant operations.	2-26-08

vision of Health Care Facilities

[signature] TITLE CEO Admr. (X6) DATE

RY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

E FORM 6899 6Z3621 If continuation sheet 1 of 1

STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY
500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

January 2, 2013

Arthur Maples, Director Strategic Analysis
Baptist Memorial Health Care Corporation
350 N. Humphreys Blvd.
Memphis, TN 38120

RE: Certificate of Need Application -- Baptist Memorial Rehabilitation Hospital - CN1212-061

Dear Mr. Maples:

This is to acknowledge the receipt of supplemental information to your application for a certificate of need for the establishment of a forty-nine (49) bed rehabilitation hospital. If approved, Baptist Rehabilitation Hospital-Germantown will delicense its forty-nine (49) bed rehabilitation unit. Project cost is $33,167,900.00.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on January 1, 2013. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on March 27, 2013.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill
Executive Director

MMH:MAB

cc: Tere Hendricks, Director, Division of Health Statistics

STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY
500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

MEMORANDUM

TO: Tere Hendricks, Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Cordell Hull Building, 6th Floor
425 Fifth Avenue North
Nashville, Tennessee 37247

FROM: Melanie M. Hill
Executive Director

DATE: January 1, 2013

RE: Certificate of Need Application
Baptist Memorial Rehabilitation Hospital - CN1212-061

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on January 1, 2013 and end on March 1, 2013.

Should there be any questions regarding this application or the review cycle, please contact this office.

MMH:MAB

Enclosure

cc: Arthur Maples, Director Strategic Analysis

2012 DEC 10 AM 9 30

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the The Commercial Appeal (Name of Newspaper) which is a newspaper of general circulation in Shelby (County), Tennessee, on or before December 10 (Month / day), 2012 (Year), for one day.

==========

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Baptist Memorial Rehabilitation Hospital, G.P., a general partnership consisting of Baptist Memorial Health Services, Inc., an affiliate of Baptist Memorial Health Care Corporation and CRH of Memphis, LLC, an affiliate of Centerre Healthcare Corporation

with an ownership type of partnership and to be managed by: CHC Management Services, LLC intends to file an application for a Certificate of Need

to establish a rehabilitation hospital consisting of 49 beds. The hospital will be located in approximately 59,400 sq ft of space to be constructed at 1238 and 1280 South Germantown Parkway, Germantown Tennessee 38138. The location is close to the intersection of Germantown Parkway and Wolf River Boulevard in Germantown, Tennessee. Simultaneously with the implementation of the new hospital, Baptist Rehabilitation Hospital- Germantown would delicense the 49 bed Rehabilitation unit located at 2100 Exeter Road Germantown, Tennessee 38138 which is approximately 2.5 miles from the new site. The project does not involve the addition of beds or any other service for which a certificate of need is required. The estimated project cost is $33,167,900.

The anticipated date of filing the application is: December 14, 2012

The contact person for this project is Arthur Maples (Contact Name) Dir. Strategic Analysis (Title)

who may be reached at: Baptist Memorial Health Care Corporation (Company Name) 350 N. Humphreys Blvd (Address)

Memphis (City) TN (State) 38120 (Zip Code) 901 / 227-4137 (Area Code / Phone Number)

Arthur Maples (Signature) 12/7/2012 (Date) (E-mail Address)

==========

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

==========

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

==========

STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY
500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

December 20, 2012

Arthur Maples
Director of Strategic Analysis
Baptist Memorial Health Care Corporation
350 N. Humphreys Blvd.
Memphis, TN 38138

RE: Certificate of Need Application CN1212-061
Baptist Memorial Rehabilitation Hospital

Dear Mr. Maples:

This will acknowledge our December 14, 2012 receipt of your application requesting review for the establishment of a forty-nine (49) bed rehabilitation hospital.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Wednesday, December 26, 2012. If the supplemental information requested in this letter is not submitted by or before this time, consideration of this application may be delayed into a later review cycle.

---

1. **Section A, Applicant Profile, Item 3**

   Please submit documentation from the Tennessee Secretary of State that acknowledges and verifies the type of ownership as identified by the applicant. Please also submit a corporate charter for the applicant facility. Please also provide a copy of the articles of organization.

2. **Section A, Applicant Profile, Item 4**

   Please provide the ownership structure for Centerre Healthcare and Baptist Memorial Healthcare.

The Joint Venture Ownership Structure Chart is noted. Please clarify what the purchased services agreement entails between Baptist Memorial and Baptist Memorial Rehabilitation Hospital, GP. Also, what is the Community Advisory Board?

Please provide a brief narrative explaining the Joint Ownership Structure Chart.

3. **Section A, Applicant Profile, Item 5**

Please provide a brief description of the management/operating entity's expertise to operate the facility/service. Brief bios outlining areas of expertise and experience of the senior management will be helpful.

Please provide documentation of CHC Management Services, LLC corporate charter from the Tennessee Secretary of State.

4. **Section A, Applicant Profile, Item 9**

Please provide a bed complement data table for Baptist Rehabilitation-Germantown reflecting the de-licensing of forty-nine (49) rehabilitation beds.

5. **Section B, Project Description, Item I**

Please indicate the future of the proposed forty-nine (49) bed BRG de-licensed rehabilitation unit space.

The management/operating entity of CHC Management Services, LLC is noted. Please indicate who is currently managing the BRG forty-nine (49) bed rehab unit. What are the advantages of contracting with CHC Management Services over the current management arrangement?

A proposed forty-nine (49) private bed rehab facility is noted. What is the cost of a semi-private bed compared to a private bed? Also, are there instances where a semi-private room is appropriate for companionship?

Please provide a copy of a study that supports private beds are favored over semi-private beds in a rehabilitation unit.

Please provide an overview of the specialized stroke/neurological programs that will be offered at the proposed site. How will these programs increase utilization?

How will the relocation of the proposed 49 bed rehab unit affect the existing 18 bed skilled nursing unit at BRG? Please clarify if the BRG 18 bed skilled nursing unit has been experiencing the same utilization trends as the existing 49 bed rehab unit (a reduction in days from 2009-2011).

Please clarify if outpatient services will be offered at the proposed site.
The applicant is referencing Joint Ownership Venture Ownership Structure-Exhibit B.3. This exhibit could not be found in the application. Please clarify.

On page 8 there appears to be an error in the referenced lease costs ($33,167,900). Please correct and submit a replacement page.

6. **Section B, Project Description, Item II.A.**

   Please indicate if the proposed facility will be AIA compliant. Please indicate the dimensions of the proposed patient rooms.

7. **Section B, Project Description, Item II.C.**

   Of the thirteen specific diagnoses defined by CMS as part of the "60 percent rule", which ones does the applicant anticipate will be referred to the proposed inpatient rehabilitation service? Please provide the projection numbers for each of the anticipated diagnoses and the methodology used to reach the projection numbers.

8. **Section B, Project Description, Item IV (Floor Plan)**

   Please indicate if the proposed facility will be AIA compliant. Please indicate the dimensions of the proposed patient rooms. Are there any minimum requirements for the dimensions of patient rooms?

   Please clarify if the proposed building structure is designed to add additional rehab beds in the future if needed.

9. **Section C. Need (Specific Criteria- Comprehensive Inpatient Rehabilitation Services) Item 7**

   Please describe in detail the applicant's experience with recruiting physiatrists and other related physician specialties.

10. **Section C. Need Item 3**

    Please provide a State of Tennessee map that clearly provides an outline of all counties.

11. **Section C. Need Item 4 (b).**

    The applicant's response is noted. Other than a growing population of the age 65 and over, please describe any special needs of the Shelby County area population including health disparities, accessibility to services, woman, racial, ethnic minorities, and low income groups. In your response, please document how the applicant will take into consideration the special needs of the population.

12. Section C. Need Item 6

Please clarify why beds decreased at BRG from 68 in 2010 to 49 in 2011.
Also, please explain why did the occupancy rate decreased from 52.7% in 2009 with 68 beds to 47.7% in 2011 with 49 beds?

13. Section C, Economic Feasibility, Item 4 (Historical and Projected Data Chart

The HSDA is utilizing more detailed Historical and Projected Data Charts. Please complete the revised information Historical and Projected Data Charts provided at the end of this requests for supplemental information. Please note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

Why is Cafeteria Revenue included in the Projected Data Chart? Are these charges separate from the per diem charges?

The applicant has submitted a Historical Data Chart that includes outpatient and inpatient charges. Please submit a Historical Data Chart that only includes inpatient rehab charges for the past three years. This will enable a comparative analysis of the Historical Data Chart to the Projected Data Chart. In the Historical Data Chart please specify "B.4 Other Operating Revenue" and "D.8 other expenses". Please use the revised HSDA Historical Data Chart included at the end of this supplemental.

14. Section C, Economic Feasibility, Item 6.A.

Please indicate the current and proposed charges. Also, please compare your average charge to several other freestanding rehabilitation hospitals in Tennessee.

15. Section C, Economic Feasibility, Item 9

Please provide the most recent payor mix available of some other freestanding rehabilitation hospitals in the State.

16. Section C, Contribution to Orderly Development, Item 1

Are you able to document interest from any of the hospitals in your proposed service area regarding the development of transfer agreements?

17. Section C, Contribution to Orderly Development, Item 7 (b)

Please clarify if the applicant is currently accredited by the Joint Commission or CARF. If so, please provide documentation of the latest site survey.

If the facility is not currently accredited by the Joint Commission or CARF, what is the cost and has it been factored in the Projected Data Chart?

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is Friday February 15, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. ∋ 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to

contact this office.

Sincerely,

Phillip M. Earhart

Phillip M. Earhart
Health Services Development Examiner

Enclosure/PME

PME
Enclosure

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month).

		Year____	Year___	*Year*____
A.	Utilization Data (Specify unit of measure)	_____	_____	_____
B.	Revenue from Services to Patients			
	1. Inpatient Services	$_____	$_____	$_____
	2. Outpatient Services	_____	_____	_____
	3. Emergency Services	_____	_____	_____
	4. Other Operating Revenue (Specify)_____	_____	_____	_____
	Gross Operating Revenue	$_____	$_____	$_____
C.	Deductions from Gross Operating Revenue			
	1. Contractual Adjustments	$_____	$_____	$_____
	2. Provision for Charity Care	_____	_____	_____
	3. Provisions for Bad Debt	_____	_____	_____
	Total Deductions	$_____	$_____	$_____
NET OPERATING REVENUE		$_____	$_____	$_____
D.	Operating Expenses			
	1. Salaries and Wages	$_____	$_____	$_____
	2. Physician's Salaries and Wages	_____	_____	_____
	3. Supplies	_____	_____	_____
	4. Taxes	_____	_____	_____
	5. Depreciation	_____	_____	_____
	6. Rent	_____	_____	_____
	7. Interest, other than Capital	_____	_____	_____
	8. Management Fees:			
	a. Fees to Affiliates	_____	_____	_____
	b. Fees to Non-Affiliates	_____	_____	_____
	9. Other Expenses – Specify on separate page 14	_____	_____	_____
	Total Operating Expenses	$_____	$_____	$_____
E.	Other Revenue (Expenses) – Net (Specify)_____	$_____	$_____	$_____
NET OPERATING INCOME (LOSS)		$_____	$_____	$_____
F.	Capital Expenditures			
	1. Retirement of Principal	$_____	$_____	$_____
	2. Interest	_____	_____	_____
	Total Capital Expenditures	$_____	$_____	$_____
NET OPERATING INCOME (LOSS)				

LESS CAPITAL EXPENDITURES $_____ $_____ $_____

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	**Year____**	**Year___**	***Year_____***
1.	$_____	$_____	$_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
Total Other Expenses	$_____	$_____	$_____

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in _____ (Month).

		Year_____	Year_____
A.	Utilization Data (Specify unit of measure)	_____	_____
B.	Revenue from Services to Patients		
	1. Inpatient Services	$_____	$_____
	2. Outpatient Services	_____	_____
	3. Emergency Services	_____	_____
	4. Other Operating Revenue (Specify)_____	_____	_____
	Gross Operating Revenue	$_____	$_____
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	$_____	$_____
	2. Provision for Charity Care	_____	_____
	3. Provisions for Bad Debt	_____	_____
	Total Deductions	$_____	$_____
NET OPERATING REVENUE		$_____	$_____
D.	Operating Expenses		
	1. Salaries and Wages	$_____	$_____
	2. Physician's Salaries and Wages	_____	_____
	3. Supplies	_____	_____
	4. Taxes	_____	_____
	5. Depreciation	_____	_____
	6. Rent	_____	_____
	7. Interest, other than Capital	_____	_____
	8. Management Fees:		
	a. Fees to Affiliates	_____	_____
	b. Fees to Non-Affiliates	_____	_____
	9. Other Expenses – Specify on separate page 14	_____	_____
	Total Operating Expenses	$_____	$_____
E.	Other Revenue (Expenses) -- Net (Specify)_____	$_____	$_____
NET OPERATING INCOME (LOSS)		$_____	$_____
F.	Capital Expenditures		
	1. Retirement of Principal	$_____	$_____

2. Interest	_____	_____
Total Capital Expenditures	**$_____**	**$_____**
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**$_____**	**$_____**

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	**Year____**	**Year___**
1.	$_____	$_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
Total Other Expenses	**$_____**	**$_____**

ORIGINAL-
ADDITIONAL
INFO.

SUPPLEMENTAL-1

Baptist Memorial Rehab. Hospital

CN1212-061

BUTLER | SNOW

SUPPLEMENTAL

2012 DEC 28 AM 9:44

December 28, 2012

Mark A. Farber
Assistant Executive Director
161 Rosa L. Parks Boulevard
Nashville, TN 37203

RE: Baptist Memorial Rehabilitation Hospital, GP, CN1212-061

Dear Mr. Farber:

In connection with the project referenced above, I am enclosing two pages that were inadvertently omitted from the supplemental responses submitted by Arthur Maples yesterday, along with an affidavit executed by me as counsel for the project.

Thank you for your attention to the enclosed.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC

Dan H. Elrod

clw
Enclosures
cc: Arthur Maples

ButlerSnow 14936122v1

1200 One Nashville Place
150 Fourth Avenue North
Nashville, TN 37219-2433

DAN H. ELROD
615.503.9102
dan.elrod@butlersnow.com

T 615.503.9100
F 615.503.9101
www.butlersnow.com

SUPPLEMENTAL

Baptist Rehabilitation

Germantown, TN

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

May 7, 2011

Accreditation is customarily valid for up to 36 months.

Isabel V. Hoverman, MD, MACP
Chair, Board of Commissioners

Organization ID #: 87828
Print/Reprint Date: 08/04/11

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

SUPPLEMENTAL

carf INTERNATIONAL

A Three-Year Accreditation is awarded to

Baptist Rehabilitation - Germantown

for the following identified programs:

Inpatient Rehabilitation Programs - Hospital (Adults)
Inpatient Rehabilitation Programs - Hospital (Children and Adolescents)
Inpatient Rehabilitation Programs - Hospital: Brain Injury Program (Adults)
Inpatient Rehabilitation Programs - Hospital: Brain Injury Program (Children and Adolesce
Inpatient Rehabilitation Programs - Hospital: Stroke Specialty Program (Adults)
Interdisciplinary Outpatient Medical Rehabilitation Programs (Adults)
Interdisciplinary Outpatient Medical Rehabilitation Programs (Children and Adolescents,
Interdisciplinary Outpatient Medical Rehabilitation Programs: Brain Injury Program (Adu
Interdisciplinary Outpatient Medical Rehabilitation Programs: Stroke Specialty Program (Ad

This accreditation is valid through
August 2013

The accreditation seals in place below signify that the organization has met annual conformance requirements for quality standards that enhance the lives of persons served.

This accreditation certificate is granted by authority of:

Cathy Ellis, PT
Chair
CARF International Board of Directors

Brian J. Boon, Ph.D.
President/CEO
CARF International

carf carfccac carf CANADA

SUPPLEMENTAL

AFFIDAVIT

2012 DEC 28 AM 9:44

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Baptist Memorial Rehabilitation Hospital, GP

I, Dan H. Elrod, after first being duly sworn, state under oath that I am the attorney for the applicant named in this Certificate of Need application, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title Attorney

Sworn to and subscribed before me, a Notary Public, this the 28th day of December, 2012, witness my hand at office in the county of Davidson, state of Tennessee.

Sharron C. Couch
NOTARY PUBLIC

My commission expires 3-8-16

SHARRON C. COUCH
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY, TENN.
My Commission Expires MAR. 8, 2016

ButlerSnow 14936135v1

ORIGINAL-

SUPPLEMENTAL-1

Baptist Memorial Rehab. Hospital

CN1212-061

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm

2012 DEC 27 PM 2:39

December 27, 2012

Phillip M. Earhart, Health Services Development Examiner
Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: Certificate of Need Application CN1212-061
Baptist Memorial Rehabilitation Hospital

Dear Mr. Earhart

Enclosed are the responses to the need for clarification or additional discussion on items in the CON application referenced above.

Please contact me if you need additional information. Thank you for your attention.

Sincerely,

Arthur Maples by DKE as authorized

Arthur Maples
Dir. Strategic Analysis

Enclosure

SUPPLEMENTAL RESPONSES

Baptist Memorial
Rehabilitation Hospital, G.P.

December 2012

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm

1. **Section A, Applicant Profile, Item 3**

   Please submit documentation from the Tennessee Secretary of State that acknowledges and verifies the type of ownership as identified by the applicant. Please also submit a corporate charter for the applicant facility. Please also provide a copy of the articles of organization.

Response
As described in the State of Delaware Statement of Partnership Existence in Exhibit Section A-3, the ownership type is a General Partnership. A corporate charter and articles of organization are not available. Public notice documentation has not been filed with the Tennessee Secretary of State. According to the Tennessee Secretary of State website, filing documentation in Tennessee for a general partnership is optional as shown below:

> *Filings by general partnerships are not for the purpose of forming or maintaining a general partnership in Tennessee. Document filing is for the purpose of providing public notice of basic information about a general partnership, such as the agency authority of its partners, and such filings are optional and voluntary.*

However, please refer to the Statement of Partnership Existence in Exhibit Section A-3 as proof that the partnership does exist.

2. Section A, Applicant Profile, Item 4

Please provide the ownership structure for Centerre Healthcare and Baptist Memorial Healthcare.

The Joint Venture Ownership Structure Chart is noted. Please clarify what the purchased services agreement entails between Baptist Memorial and Baptist Memorial Rehabilitation Hospital, GP. Also, what is the Community Advisory Board?

Please provide a brief narrative explaining the Joint Ownership Structure Chart.

Response

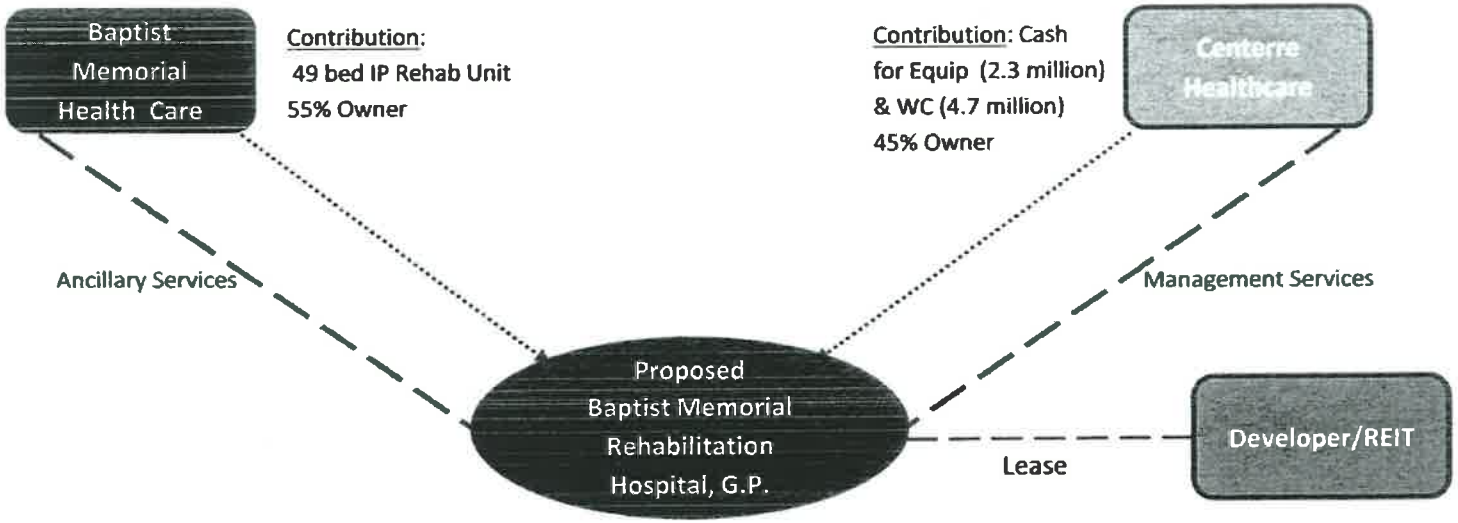
Centerre Healthcare Corporation is a national provider of inpatient acute rehabilitation services, dedicated to partnering with medical centers. The company was incorporated in 1999 and is based in Brentwood, Tennessee. The relationship with CRH of Memphis LLC is shown on the Chart on the following page.

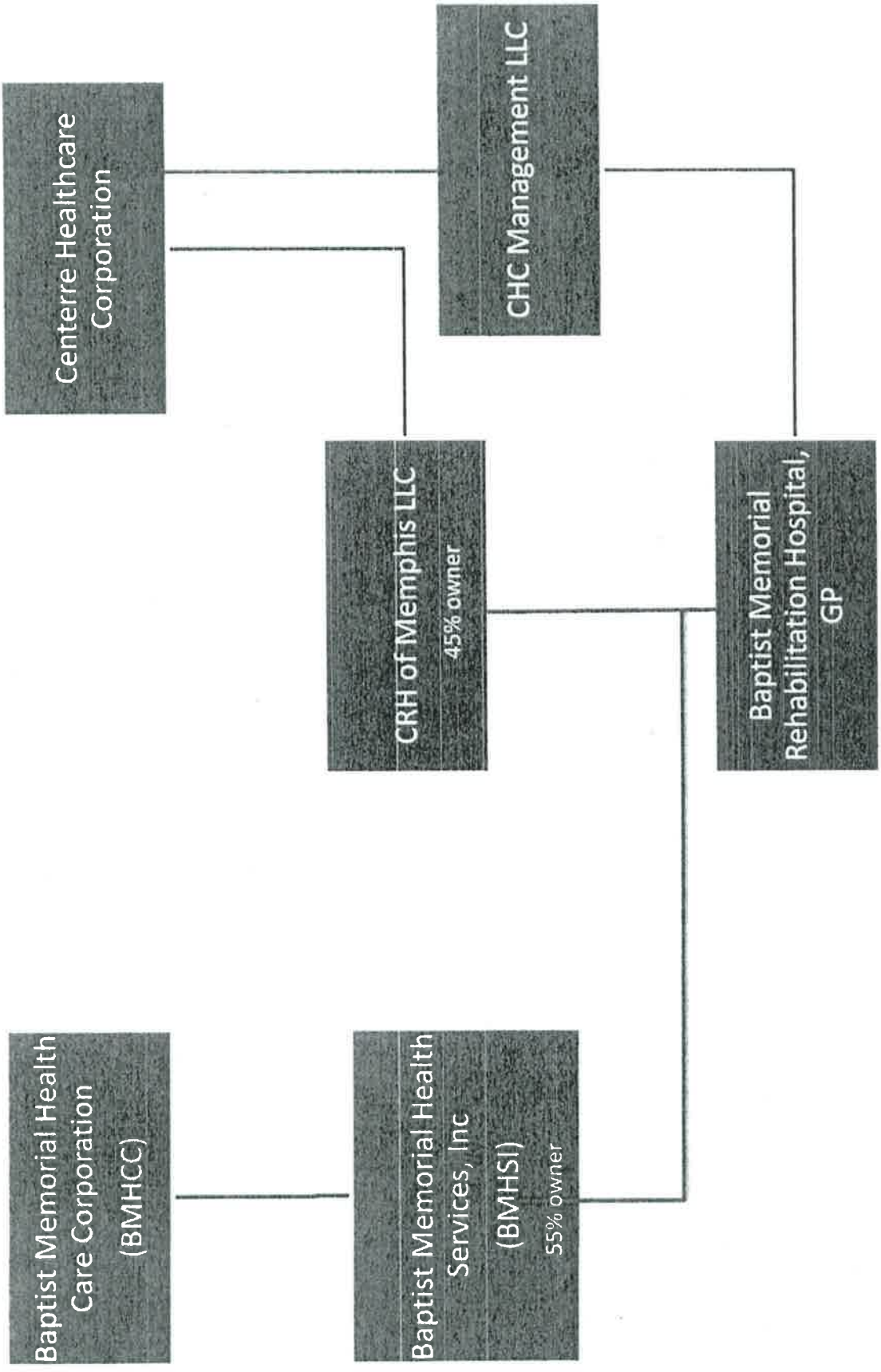
Baptist Memorial Health Care Corporation is a system including 14 hospitals and an array of home care and hospice agencies, minor medical clinics, behavioral health programs and a network of surgery, rehabilitation and other outpatient centers. The relationship with Baptist Memorial Health Services Inc. is shown on the Chart on the following page.

The Joint Venture Structure Chart previously submitted indicates some purchased services that are comprised primarily of radiology and other ancillaries such as lab. The Community Advisory Board that is also shown on the chart will consist of community members who may have been patients or had family members who were served at the Rehabilitation hospital. Advisory Board Members are selected based on the variety of backgrounds, experiences, and strengths each brings with the goal of accurately representing the community. Advisory Board Members receive updates on events and are asked to provide meaningful and constructive feedback and suggestions for enhancing services provided to the patients. Members will be asked to actively engage in issues or topics and will be given the opportunity to participate in hospital committees and teams of their choice where their talents and experiences will be beneficial.

The ownership structure chart that was previously submitted (copy attached for reference) is also explained by the chart on the following page. The *Ancillary Services* are shown along a broken line in the original chart from Baptist Memorial Health Care to the proposed Baptist Memorial Rehabilitation Hospital, G.P. The *Management Services,* are shown along a broken line from Centerre Healthcare to the proposed Baptist Memorial Rehabilitation Hospital, G.P. The proposed rehabilitation hospital acquires management services and ancillary services from partners and leases building and land from a third party developer as shown in the original chart.

Joint Venture Ownership Structure




Centerre Healthcare Corporation
CHC Management LLC
CRH of Memphis LLC
45% owner
Baptist Memorial Rehabilitation Hospital, GP
Baptist Memorial Health Care Corporation (BMHCC)
Baptist Memorial Health Services, Inc (BMHSI)
55% owner

3. Section A, Applicant Profile, Item 5

Please provide a brief description of the management/operating entity's expertise to operate the facility/service. Brief bios outlining areas of expertise and experience of the senior management will be helpful.

Please provide documentation of CHC Management Services, LLC corporate charter from the Tennessee Secretary of State.

Response
CHC Management is a subsidiary of Centerre Healthcare Corporation. Please refer to information about Centerre on the following pages.

Documentation from the Tennessee Secretary of State is also provided on the following pages.

Centerre Healthcare is dedicated to developing and operating rehabilitation hospitals in joint venture partnerships with major leading acute care hospitals, thereby expanding our partner's footprint, both clinically and geographically. Our programs focus on rehabilitation of higher acuity patients, especially neurological and trauma related conditions such as stroke, brain injury, spinal cord injury, burn, and various other traumatic injuries. Centerre has established a proven track record of improving clinical outcomes for its higher acuity patients in partner hospitals while at the same time driving improved financial performance.

By offering this combination of superior clinical outcomes, coupled with the lowest cost of care for higher acuity rehabilitation patients, Centerre believes it is best positioned to help our partners enhance their inpatient rehabilitation service line, holding true to the four fundamentals:

- **Value Delivery** – Centerre places defined and measurable clinical outcomes at the center of everything it does. Leveraging decades of rehabilitation specific experience (and success), we utilize our own compilation of key metrics and operational processes to drive superior quality, safety, and patient and family experiences, at a competitive price.

- **Increasing Scale** – Centerre provides the domain expertise, experience, and capital for a complete turnkey solution in a state-of-the-art, freestanding rehabilitation facility that is fully licensed and accredited. Our dedicated team allows us to simultaneously facilitate the design, construction, licensure and opening of multiple new facilities and maintain the operational focus and commitment necessary to deliver exceptional value to our partner and the community.

- **Network Capabilities** – The Centerre Model of care begins with building a closely integrated relationship with our hospital partner, their network of physicians and the care coordinators who are responsible for moving the patient through the system efficiently. The collaborative efforts focus on post-acute placement, taking into consideration all levels of inpatient care, including LTCH, IRF and SNF; and

- **Leadership and Culture** – With more than 70 years of combined experience, the key to Centerre's success and reputation in the market as a top rehab operator is its corporate management team. Members of the team have held executive level management positions in both not-for-profit and for-profit acute care and rehabilitation facilities. Such experience includes not only the successful operation of hospitals but also participation in market defining activities such as: the IRF-PPS Technical Expert Panel used by RAND and CMS to develop the prospective payment system for rehabilitation hospitals and participation in the design, development and presentation to CMS of a Pay for Performance system for Inpatient Rehabilitation Facilities.

To supplement its experienced management team, Centerre has developed a collaborative culture that encourages open communication and the sharing of best practices. Our Medical Director Advisory Board, Nursing Executive Advisory Board and Clinical Advisory Board bring together leaders from each joint venture hospital to discuss ways to enhance the quality of care and patient experience. Recommendations from these Advisory Boards are used to identify best practices, analyze delivery of care models, and provide additional training and other support to continuously improve the quality of comprehensive medical rehabilitation services.

Significant regulatory and reimbursement changes have increased the complexity and compliance risk of providing inpatient rehabilitation services, forcing some hospitals to close or re-evaluate their rehab programs. At the same time, the aging population and demand for post-acute services is increasing while patients seek to continue their independence after a devastating injury or illness. Partnering with Centerre Healthcare enables hospitals to continue to offer high quality inpatient rehabilitation services that meet their patient and physician needs, take advantage of any local rehab market consolidation, and achieve their financial goals.

VALUE OF THE PARTNERSHIP

Why should medical centers and health systems consider developing a joint venture freestanding inpatient rehabilitation hospital?

- Relocation of rehab services **frees up space** in the main medical center campus for core service expansion
- Facilitates **geographic expansion** of medical center / health system service umbrella
- Facilitates **branding** as "center of excellence" and **programmatic enhancements** like specialized brain injury treatment centers, and other Neurological services such as a Stroke Center of Excellence
- Freestanding rehab hospitals are typically seen as a more **visible community resource** which promotes census and program development
- Partnership model brings a substantial additional annual **revenue** stream to the medical center from ancillary services (e.g. radiology, lab) purchased by the rehab hospital
- Expanded rehab continuum facilitates the movement of patients through the hospital's care continuum by offering **high-quality clinical programs** and systems that concentrate on **optimal outcomes**
- A strong joint venture partner **shares the financial risk** of a new business entity and ensures a focus on operating results and clinical quality

BUSINESS MODEL

In our ***Joint Venture business model***, Centerre and the partner medical center create a formal partnership to develop and operate a state of the art free-standing Rehabilitation Hospital. Our innovative model limits the capital required from our partner to fund the venture. Specific components of the model are:

- Developer finances the land and building to minimize capital investment – facility is leased to the partnership entity
- Hospital partner contributes value of existing rehabilitation program (subject to third party valuation)
- Centerre contributes cash
- Respective ownership interest of the partners is determined by actual equity contributions
- Governance is shared equally between the partners
- The rehab facility is branded with the local hospital partner's name in order to facilitate local market recognition
- Centerre serves as the managing partner for a mutually agreed upon fee - compliance focus ensures that necessary regulatory requirements are met and all arrangements are at fair market value

CENTERRE ADVANTAGE

Centerre works only with market leading acute hospitals and health systems which promotes strategic and operating success of the joint venture and minimizes risk for both partners. Developing and operating a freestanding inpatient rehabilitation hospital is different than operating a hospital-based ("distinct part") unit. Centerre brings a turn-key solution and focus to our partnerships while at the same time respecting that each partnership and local market is unique. ***Inpatient rehabilitation is a small portion of a medical center's business – it's 100% of Centerre's.*** Unlike other companies, we only do rehabilitation partnerships. We support but do not compete with our hospital partners in other service lines and we are not distracted by other business interests such as long term acute care hospitals or skilled nursing facilities. With its impressive management team and expert capabilities, Centerre Healthcare may be the perfect solution for your rehabilitation program.

CENTERRE'S PARTNERS

We seek to partner with larger community-leading medical centers with a patient mix that would benefit from an expanded rehab program. Our growing list of hospital partners includes:

- **Lancaster General Health in Lancaster, PA**
  - 50-bed Lancaster Rehabilitation Hospital opened July 2007
  - Expanded to 59 beds
- **Mercy Hospital St. Louis in St. Louis, MO**
  - 50-bed Mercy Rehabilitation Hospital of St. Louis opened July 2007
  - Expanded to 90 beds
- **Methodist Health System in Dallas, TX**
  - 40-bed Methodist Rehabilitation Hospital opened January 2008
- **Waukesha Memorial Hospital in Waukesha, WI**
  - 40-bed The Rehabilitation Hospital of Wisconsin opened October 2008
- **Texas Health Resources – Harris Methodist Medical Center in Ft. Worth, TX**
  - 50-bed Texas Rehabilitation Hospital opened April 2011 – expanding by 16 beds
- **Mercy Health Center in Oklahoma City, OK**
  - 50-bed Free-standing rehab hospital opened October 2012
- **University Hospital in Cleveland, OH**
  - 50-bed Free-standing rehab hospital scheduled to open in Q1 2013
- **Community Health Network in Indianapolis, IN**
  - 60-bed Free-standing rehab hospital scheduled to open in Q2 2013
- **Saint Mary Medical Center in Langhorne, PA**
  - 50-bed Free-standing rehab hospital scheduled to open in Q3 2013

DISTINGUISHED OPERATING PERFORMANCE

Centerre's implementation and management team have effectively opened new rehabilitation hospitals at or under projected construction budgets and delivered a patient centered approach designed to integrate and support the partner hospital's continuum of care by:

- Building specialized programs and services to grow neurological patient mix
- Establishing quality benchmarks that meet or exceed UDS severity adjusted norms
- Developing strategic plans that include a focused marketing component to increase visibility and viability of inpatient rehabilitation services within the partner's healthcare system and community
- Providing resources as needed from Centerre's Physician Council, Nursing Executive Council, and CEO /Leadership meetings as well as offering network opportunities with our partners
- Expanding the partner's post-acute continuum of care to retain more patients within the system

EXECUTIVE MANAGEMENT TEAM

Patrick Foster, President and CEO of Centerre Healthcare, has more than 30 years of healthcare services experience, 21 of which have been devoted to operating rehabilitation hospitals. Mr. Foster's commitment to inpatient rehabilitation is demonstrated by Centerre's growth, strong relationships with its med-surge partners and superior patient outcomes under his leadership. During Pat's five year tenure at Centerre, two of the company's hospitals have been named to the Uniform Data System's (UDS) Top 10% in the Clinical Outcome Ranking; one of the hospitals was named to the list twice, once in 2009 and again in 2011. The Company's Clinical outcomes have been consistently well above the National reported outcomes. Centerre has been named to the Inc. 5000 ranking four years in a row.

Prior to Centerre, Mr. Foster served as President for the inpatient rehabilitation hospital division at HealthSouth Corporation with responsibility for 98 rehabilitation hospitals, multiple hospital based units, six long-term acute care hospitals and hospital-based home health care agencies. Mr. Foster also was a Senior Vice President of Operations for the Mediplex Group, Relife and Rehab Hospital Services Corporation (RHSC) before his tenure with HealthSouth. Early in his career Mr. Foster served as Vice President/Assistant Administrator for two large not-for-profit hospitals before entering the post-acute care industry. Under Mr. Foster's direction, his hospital operations have consistently exceeded national averages for clinical outcomes and patient satisfaction while generating strong financial results.

Jean Davis, Chief Operations Officer and Senior Vice President, has over 31 years of experience in the healthcare industry, most of which were devoted to overseeing the clinical programming and outcomes and case management functions within the inpatient rehabilitation industry including CEO experience of a new start up hospital. She also holds a Master Degree in Education with emphasis in counseling and a Bachelor of Science Degree in Physical Therapy. Ms. Davis has been responsible for directing and evaluating the effectiveness of clinical, regulatory and case-management services and systems for several large multi-hospital systems. She was a member of the IRF-PPS Technical Expert Panel used by RAND and CMS to develop the prospective payment system for rehabilitation hospitals. She has also participated in the design, development and presentation to CMS of a Pay for Performance design for Inpatient Rehabilitation Facilities. Ms. Davis coordinates and directs the operations of Centerre's joint venture hospitals.

Frank DiCesare, Senior Vice President of Operations, has over 20 years of healthcare experience in the public for-profit area. Most recently he served as the Vice President of Operations for a large rehabilitation and long term acute care hospital company. He served in various management roles including responsibilities for divisional financial operations, budgeting, development review, start-up operations, legislative activities, capital expenditures and commercial contracting. Mr. DiCesare has served on various Boards of Directors for joint venture partnerships and on the finance committee for the Federation of American Hospitals. He was also the controller and CFO of a 219-bed acute care medical center.

Rudy Blank, Chief Strategy and Development Officer, has over 15 years of experience working in both international public accounting firms and privately-held multi-national companies. He joined Centerre in 2008 and served as the Chief Financial Officer before transitioning into his current role in 2011. He has also held senior management positions with oversight including the finance, accounting, and supply-chain departments. Rudy has worked with one of the largest providers of care and services to seniors. He served as the controller for the nation's leading provider of outsourced perfusion, auto transfusion, anesthesia technician, and blood management services. He is a CPA and holds a Master of Business Administration degree. He is also a member of various financial and healthcare organizations.

William C. Bridges, M.D., National Medical Director, is a board certified physician by the American Board of Physical Medicine and Rehabilitation. He earned his medical degree from the University of Texas Southwestern Medical School at Dallas in 1997. Following his residency, Dr. Bridges focused on acute inpatient rehabilitation within the Dallas/Ft. Worth area. Prior to coming to the Texas Rehabilitation Hospital of Fort Worth as Medical Director, he worked closely with Texas Health Harris Methodist Fort Worth and their rehabilitation unit.

Julie Farris, Vice President of Human Resources, was the director of human resources for a nation-wide outpatient ambulatory surgery center company based in Nashville, TN. Her expertise was established during the creation and growth of the current human resources department for that company. She has extensive experience in the areas of employee relations, benefit administration, employee and manager coaching, recruitment, training and acquisition activities. Ms. Farris has a strong foundation in the areas of policy creation, compliance (including SOX) and internal audit controls. She is an active member of the Society for Human Resources Management (SHRM) and the American Society for Healthcare Human Resources Administration.

Eddie Gadsey, Chief of Information Technology, has over 18 years of experience working primarily in healthcare information technology. Most recently he served as CIO for an organization which owns and operates freestanding rehabilitation and psychiatric hospitals throughout the U.S. Mr. Gadsey also served as director of technical operations with an organization which owns and operates general, acute-care and behavioral hospitals and ambulatory surgery centers where he was responsible for overseeing new systems implementation.

Quality & Health Information

Debra Call, Corporate Director of Health Information, is a Registered Health Information Administrator (RHIA) with over 25 years of experience in health information services. She specializes in inpatient rehabilitation coding for prospective payment system reimbursement, and has expertise in acute care and long-term care PPS coding. She provides oversight and training for coding and reimbursement systems, and assures all HIPPA requirements are met in all partnership locations.

Theresa Hunkins, Vice President of Quality and Clinical Services, has more than 20 years of quality, compliance, risk management and healthcare operations experience. Ms. Hunkins' expertise is focused in the clinical operation areas of long term acute care and inpatient rehabilitation. She possesses extensive regulatory compliance experience specifically with Joint Commission and CMS. Ms. Hunkins' most recent role was Vice President and Chief Clinical Officer with a national acute rehabilitation and long term acute care hospital company, where she was responsible for the clinical and regulatory oversight of the organization. She has also served in Regional Operations, CEO, COO and Quality roles with national healthcare organizations. Ms. Hunkins is a Registered Nurse and also holds a Bachelor of Science in Healthcare Administration and a Master of Business Administration.

Development

Kelly Phelps, Vice President of Development, has a diverse background in healthcare transactions, as well as state and federal healthcare regulations. Prior to joining Centerre, Kelly led the legal and regulatory affairs departments for a start-up healthcare organization, as well as for a healthcare corporation specializing in rehab contract management and staffing. Her past experience includes structuring and executing multiple post-acute joint ventures with nationally recognized health systems, involving preservation of tax-exempt status, hospital-within-a hospital regulations, and compliance with Medicare fraud and abuse regulations. Ms. Phelps has a B.S. in accounting from the University of Houston, and a juris doctorate from St. Louis University School of Law.

Darrell Simpson, Vice President of Development and Implementation, has over 24 years of healthcare design and construction experience. He has held senior management positions with two of the nation's more active healthcare builders providing project management, business development, and division operations leadership. He has also served nine years as vice president of program management for a national healthcare provider overseeing master planning, project development, and design and construction services. Darrell has managed the development of more than 13 Greenfield rehabilitation healthcare projects across the country.

Paul Murray, Vice President of Finance, is a CPA with a Master's degree in Accounting and a Bachelor's degree in Healthcare Management. Paul has over a decade of experience in accounting and finance. He has held management positions with areas of supervision including accounting and finance, and has served as a Principal and Chief Compliance Officer of limited investment partnerships with over $100 million in assets under management.

PARTNERSHIP REFERENCES

- **Lancaster General Health in Lancaster, PA**
  - 59-bed Lancaster Rehabilitation Hospital opened July 2007 - Expanded by 9 beds

    Joe Byorick — fjbyoric@lancastergeneral.org
    Chief Financial Officer — 717.544.4926
    Lancaster General Health

    Geoffrey W. Eddowes — gweddowe@lancastergeneral.org
    Senior Vice President, Post-Acute Care — 717.544.0069
    Lancaster General Health

- **Mercy Hospital (FKA St. John's Mercy) in St. Louis, MO**
  - 90-bed Mercy Rehabilitation Hospital St. Louis (FKA St. John's Mercy Rehabilitation Hospital) opened July 2007 - Expanded by 40 beds

    Don Kalicak — Donald.Kalicak@mercy.net
    Vice President, Regional Development — 636.614.3271
    Mercy East Communities
    Mercy Hospital St. Louis

- **Methodist Health System in Dallas, TX**
  - 40-bed Methodist Rehabilitation Hospital opened January 2008

    Jonathan Davis — JonathanDavis@mhd.com
    President — 214.947.7707
    Methodist Charlton Medical Center

- **Waukesha Memorial Hospital in Waukesha, WI**
  - 40-bed Rehabilitation Hospital of Wisconsin opened October 2008

    Kathy Scott — Kathy.scott@phci.org
    Chief Innovation Officer — 262.928.2425
    ProHealth Care

- **Texas Health Resources – Harris Methodist Medical Center**
  - 50-bed Texas Rehabilitation Hospital – opened April 2011 (expanding by 16 beds)

    Lillie Biggins — lilliebiggins@texashealth.org
    Senior Vice President, Operations — 817.250.3722
    Texas Health Resources - Corporate

    Joseph DeLeon — JosephDeLeon@texashealth.org
    Vice President Professional Services & Bus. Dev. — 817.250.4657
    Texas Health Resources – Harris Methodist

- **Mercy Hospital in Oklahoma City, OK**
  - 50-bed Mercy Rehabilitation Hospital Oklahoma City opened October 2012

    Don Kalicak — Donald.Kalicak@mercy.net
    Vice President, Regional Development — 636.614.3271
    Mercy East Communities
    Mercy Hospital St. Louis

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm

STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

CHC Management Services, LLC
STE 240
5250 VIRGINIA WAY
BRENTWOOD, TN 37027-7576

December 20, 2012

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

SOS Control # :	**703755**	Formation Locale:	MISSOURI
Filing Type:	Limited Liability Company - Foreign	Date Formed:	03/10/2005
Filing Date:	12/20/2012 11:36 AM	Fiscal Year Close:	12
Status:	Active	Annual Report Due:	04/01/2014
Duration Term:	Perpetual	Image # :	7124-2919
Managed By:	Member Managed		

Document Receipt

Receipt # : 863240	Filing Fee:	$300.00
Payment-Check/MO - BRADLEY ARANT BOULT CUMMINGS LLP, Nashville, TN		$300.00

Registered Agent Address:
C T CORPORATION SYSTEM
STE 2021
800 S GAY ST
KNOXVILLE, TN 37929-9710

Principal Address:
STE 240
5250 VIRGINIA WAY
BRENTWOOD, TN 37027-7576

Congratulations on the successful filing of your **Application for Certificate of Authority** for **CHC Management Services, LLC** in the State of Tennessee which is effective on the date shown above. Visit the TN Department of Revenue website (apps.tn.gov/bizreg) to determine your online tax registration requirements.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

Tre Hargett
Secretary of State

Processed By: Kathy Sherrell

APPLICATION FOR CERTIFICATE OF AUTHORITY
LIMITED LIABILITY COMPANY (ss-4233)

Business Services Division
Tre Hargett, Secretary of State
State of Tennessee
312 Rosa L. Parks AVE, 6th Fl.
Nashville, TN 37243-1102
(615) 741-2286

Filing Fee: $50.00 per member
(minimum fee = $300, maximum fee = $3,000)

For Office Use Only

FILED

To The Secretary of the State of Tennessee:
Pursuant to the provisions of T.C.A. §48-249-904 of the Tennessee Revised Limited Liability Company Act, the undersigned hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the Limited Liability Company is: CHC Management Services, LLC

   If different, the name under which the certificate of authority is to be obtained is: _____

NOTE: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign Limited Liability Company if its name does not comply with the requirements of T.C.A. §48-249-106 of the Tennessee Revised Limited Liability Company Act. If obtaining a certificate of authority under an assumed Limited Liability Company name, an application must be filed pursuant to T.C.A. §48-249-106(d).

2. The state or country under whose law it is formed is: Missouri

   and the date of its formation is: 03 (Month) / 10 (Day) / 2005 (Year) and the date it commenced doing business in Tennessee is: 12 (Month) / 20 (Day) / 2012 (Year)

   NOTE: Additional filing fees and proof of tax clearance confirming good standing may apply if the Limited Liability Company commenced doing business in Tennessee prior to the approval of this application. See T.C.A. §48-249-913(d) and T.C.A. §48-249-905(c)

3. This company has the additional designation of:

4. The name and complete address of its registered agent and office located in the state of Tennessee is:

   Name: C T Corporation System

   Address: 800 South Gay Street, Suite 2021

   City: Knoxville State: TN Zip Code: 37929 County: USA

5. Fiscal Year Close Month: December

6. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date and time is: (Not to exceed 90 days)

   Effective Date: ____ (Month) / ____ (Day) / ____ (Year) Time: _____

7. The LLC will be: ☒ Member Managed ☐ Manager Managed ☐ Director Managed ☐ Board Managed ☐ Other

8. Number of Members at the date of filing: 1

9. Period of Duration: ☒ Perpetual ☐ Other ____ (Month) / ____ (Day) / ____ (Year)

10. The complete address of its principal executive office is:

    Address: 5250 Virginia Way, Suite 240

    City: Brentwood State: TN Zip Code: 37027

Rev. 10/12

RDA 2458

APPLICATION FOR CERTIFICATE OF AUTHORITY
LIMITED LIABILITY COMPANY (ss-4233)

Business Services Division
Tre Hargett, Secretary of State
State of Tennessee
312 Rosa L. Parks AVE, 6th Fl.
Nashville, TN 37243-1102
(615) 741-2286

Filing Fee: $50.00 per member
(minimum fee = $300, maximum fee = $3,000)

For Office Use Only

The name of the Limited Liability Company is: CHC Management Services, LLC

11. The complete mailing address of the entity (if different from the principal office) is:

Address: _____

City: _____ State: _____ Zip Code: _____

12. Non-Profit LLC (required only if the Additional Designation of "Non-Profit LLC" is entered in section 3.)

☐ I certify that this entity is a Non-Profit LLC whose sole member is a nonprofit corporation, foreign or domestic, incorporated under or subject to the provisions of the Tennessee Nonprofit Corporation Act and who is exempt from franchise and excise tax as not-for-profit as defined in T.C.A. §67-4-2004. The business is disregarded as an entity for federal income tax purposes.

13. Professional LLC (required only if the Additional Designation of "Professional LLC" is entered in section 3.)

☐ I certify that this PLLC has one or more qualified persons as members and no disqualified persons as members or holders.

☐ I certify that this entity meets the requirement of T.C.A. §48-249-1123(b)(3)

Licensed Profession: _____

14. Series LLC (required only if the Additional Designation of "Series LLC" is entered in section 3.)

☐ I certify that this entity meets the requirements of T.C.A. §48-249-309(l)

If the provisions of T.C.A. §48-249-309(i) (relating to foreign series LLCs) apply, then the information required by that section should be attached as part of this document.

15. Obligated Member Entity (list of obligated members and signatures must be attached)

☐ This entity will be registered as an Obligated Member Entity (OME) Effective Date: ____/____/____ (Month / Day / Year)

☐ I understand that by statute: THE EXECUTION AND FILING OF THIS DOCUMENT WILL CAUSE THE MEMBER(S) TO BE PERSONALLY LIABLE FOR THE DEBTS, OBLIGATIONS AND LIABILITIES FOR THE LIMITED LIABILITY COMPANY TO THE SAME EXTENT AS A GENERAL PARTNER OF A GENERAL PARTNERSHIP. CONSULT AN ATTORNEY.

16. Other Provisions: _____

12/20/2012
Signature Date

Chief Strategy & Development Officer of Site Managing Member
Signer's Capacity (if other than individual capacity)

Signature

Rudy Blank
Name (printed or typed)

Rev 10/12

RDA 2458

STATE OF MISSOURI

Robin Carnahan
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF GOOD STANDING

I, ROBIN CARNAHAN, Secretary of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

CHC MANAGEMENT SERVICES, LLC
LC0645289

was created under the laws of this State on the 10th day of March, 2005, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 19th day of December, 2012

Robin Carnahan

Secretary of State

Certification Number: 15090015-1 Reference:
Verify this certificate online at https://www.sos.mo.gov/businessentity/soskb/verify.asp

4. Section A, Applicant Profile, Item 9

Please provide a bed complement data table for Baptist Rehabilitation-Germantown reflecting the de-licensing of forty-nine (49) rehabilitation beds.

Response
A bed complement table for Baptist Rehabilitation-Germantown follows this page.

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

(Note: The beds below will be at the proposed new hospital, although the project involves a relocation of beds from an existing facility. Please refer to explanation below)

		Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A.	Medical	1				1
B.	Surgical					
C.	Long-Term Care Hospital					
D.	Obstetrical					
E.	ICU/CCU					
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation *(Please see note below)*	49		40	-49	0
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)	18		18		18
O.	Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	68		58	-49	19

*CON-Beds approved but not yet in service

Explanation Note** Nursing home beds are separately licensed.

5. Section B, Project Description, Item I

Please indicate the future of the proposed forty-nine (49) bed BRG de-licensed rehabilitation unit space.

Response:

Plans are still in process regarding the future use of the space at Baptist Rehabilitation – Germantown.

The management/operating entity of CHC Management Services, LLC is noted. Please indicate who is currently managing the BRG forty-nine (49) bed rehab unit. What are the advantages of contracting with CHC Management Services over the current management arrangement?

Response

Current management of the 49 bed rehabilitation unit is by the hospital itself, Baptist Memorial Regional Rehabilitation Services, d/b/a Baptist Rehabilitation-Germantown. To continue providing the rehabilitation services in a coordinated manner reflective of changes in the industry, Baptist Memorial has sought a partner that has experience in making programmatic enhancements in neurological and other services focused on current solutions to providing effective rehabilitation services. With an established management team, experience in partnership governance, and experience in meeting the regulatory requirements with a model that minimizes capital investment. Centerre was chosen as the appropriate partner for the rehabilitation services at Baptist Memorial Rehabilitation Hospital.

A proposed forty-nine (49) private bed rehab facility is noted. What is the cost of a semi-private bed compared to a private bed? Also, are there instances where a semi-private room is appropriate for companionship?

Response

The current charge at Baptist Rehabilitation-Germantown for a private or semi-private bed is $1,776. The projected charge at the proposed hospital is anticipated to be approximately the same adjusted for inflation.

There is still some debate within the healthcare community regarding the use of private rooms versus semi-private rooms in a hospital setting. Some say that single-rooms may cause social isolation rather than social support. However, the benefits of private rooms far outweigh the disadvantages, particularly within the context of providing inpatient rehabilitation services. The proposed new hospital would provide specialized services that would focus on patients with a high level of acuity: stroke, neurological disorders, brain injuries, etc. The benefits of private rooms for this type of patient include infection control, privacy, family support, lower fall rates, etc. Additionally, the freestanding inpatient rehabilitation hospital offers features that mitigate the perceived disadvantages of private rooms including dining rooms, therapy gyms and day rooms that allow for patient socialization.

Please provide a copy of a study that supports private beds are favored over semi-private beds in a rehabilitation unit.

Response

Various articles are available discussing the benefits of private patient rooms. The rationale in a rehabilitation hospital is the same as for all other acute hospitals. For example, if single patient rooms are more appropriate for acute care patients in order to decrease the spread of hospital-acquired infections, then it might be said that the same would hold true for rehab patients with an even longer length of stay.

Three items are provided following this page:

1) A summary of the relationships between design factors and healthcare outcomes published in Health Environment Research and Design Journal and issued in Spring 2008 in ***A Review of the Research Literature on Evidence –Based Healthcare Design (Part II) The summary states that single-bed rooms are the design intervention that positively effects the largest number of outcomes in a hospital setting.***
2) A Wall Street Journal article published on March 22, 2006, New Standards for Hospitals Call for Patients to Get Private Rooms.
3) An excerpt from the 2010 Edition of the Guidelines for Design and Construction of Health Care Facilities, often called the AIA Guidelines, from the Facility Guidelines Institute recommending a single-need patient room.

Please provide an overview of the specialized stroke/neurological programs that will be offered at the proposed site. How will these programs increase utilization?

Response

The new Joint Venture rehabilitation hospital offers specialized medical inpatient rehabilitation, including dedicated Stroke and Brain Injury units. These dedicated units are designed to create an environment that promotes the patient's functional performance at the highest possible level. The state-of-the-art Stroke and Brain Injury units include new and enhanced features such as specialized beds, monitoring equipment, and dedicated treatment areas. The designated team of trained rehabilitation specialists under the direction of the Physical Medicine and Rehabilitation physician utilizes best practice care models to deliver high quality programs and services designed to meet specialized accreditation standards of The Joint Commission and CARF.

The current Baptist Rehabilitation-Germantown is the only provider in Memphis that has achieved CARF accreditation for Stroke and Brain Injury. The new hospital expects to achieve CARF accreditation for these specialties as part of its mission to enhance the specialized programs that are provided to Memphis and the region. In this way, a Center of Excellence will be established for the community. The proposed new hospital will provide a setting to develop specialized programs that will increase utilization of the 49 inpatient beds.

design strategies and interventions that can influence outcomes. The main body of this paper was organized by type of healthcare outcome. However, designers and healthcare workers often face the question of whether to employ specific design strategies or interventions. Therefore, the following sections discuss specific design measures and the improved outcomes that can be expected from them. Table 1 provides an overview of the relationships between design factors and healthcare outcomes. It should be noted that some of the relationships indicated in this table have not been directly tested by empirical studies, but they have been supported in an indirect way by strong available evidence.

Summary of the Relationships Between Design Factors and Healthcare Outcomes

Healthcare Outcomes \ Design Strategies or Environmental Interventions	Single-bed rooms	Access to daylight	Appropriate lighting	Views of nature	Family zone in patient rooms	Carpeting	Noise-reducing finishes	Ceiling lifts	Nursing floor layout	Decentralized supplies	Acuity-adaptable rooms
Reduced hospital-acquired infections	**										
Reduced medical errors	*		*				*				*
Reduced patient falls	*		*		*	*			*		*
Reduced pain		*	*	**			*				
Improved patient sleep	**	*	*				*				
Reduced patient stress	*	*	*	**	*		**				
Reduced depression		**	**	*	*						
Reduced length of stay		*	*	*							*
Improved patient privacy and confidentiality	**				*		*				
Improved communication with patients & family members	**				*		*				
Improved social support	*				*	*					
Increased patient satisfaction	**	*	*	*	*	*	*				
Decreased staff injuries								**			*
Decreased staff stress	*	*	*	*			*				
Increased staff effectiveness	*		*				*		*	*	*
Increased staff satisfaction	*	*	*	*			*				

Single-Bed Rooms

The design intervention that positively affects the largest number of outcomes in a hospital setting is the provision of single-bed patient rooms. The value of single-bed rooms has been acknowledged by the AIA after extensive research and has been included in the *2006 Guidelines for Design and Construction of Health Care Facilities* (AIA & FGI, 2006). Strong evidence indicates that single-bed rooms improve the following outcomes:

Hospital-Acquired Infections. The use of single-patient rooms reduces airborne, contact, and waterborne transmission of hospital-

acquired infections by increasing isolation capacity, facilitating the thorough cleaning of rooms and the maintenance of air quality, and also possibly increasing hand-washing compliance by healthcare workers.

Patient Sleep. Patients in single-bed rooms benefit from increased privacy and the reduction in noise from roommates, visitors, and healthcare staff. These factors improve sleep and facilitate the healing process.

Patient Privacy. Single-bed rooms help protect auditory and visual privacy compared with multibed rooms. The absence of a roommate in hospital rooms helps prevent privacy breaches during discussions between patients and care providers. Patients in single-bed rooms are more willing to provide personal information to care providers, which facilitates diagnosis and treatment.

Communication with Patients and Families. Because of enhanced auditory privacy, single-bed rooms can improve communication among patients, families, and care providers. Patients in single-bed rooms report greater satisfaction with communication from nurses and physicians compared with patients in multibed rooms.

Social Support. Compared with multibed rooms, single-bed rooms provide enhanced privacy, encourage family visits and social interaction, and are more likely to provide space to accommodate visiting relatives and friends.

Staff Stress. Staff also appreciates the benefits of single-bed rooms and reports finding them less stressful than multibed or open-bay settings.

Patient Satisfaction. Considering all the above-mentioned benefits, it is no surprise that patients are more satisfied with their hospital stays when they are placed in single-bed rooms.

Access to Daylight and Appropriate Lighting

The quality and quantity of daylight exposure and artificial lighting is associated with several patient and staff outcomes in healthcare settings. Access to daylight is important for both staff and patients. For patients, it has been found to reduce pain and the incidence of depression, and for certain types of patients, it also may reduce length of stay. For staff, access to daylight contributes to higher satisfaction. Therefore, site planning and the orientation of healthcare facilities should be carefully considered to ensure sufficient daylight and avoid situations where some buildings block light for others. Larger windows in patient rooms not only provide natural light, but they also have the potential benefit of offering views of nature and should be considered in the design process.

The amount and timing of light in healthcare settings should be tailored to the activities that take place in them. In general, sufficient lighting is beneficial to both patients and staff. Bright lighting is preferred in areas where staff performs critical tasks such as medication dispensing.

Medical Errors. Research has found that medication-dispensing errors are lower when the level of work-surface lighting is relatively high, compared to situations with lower levels of lighting. While other areas of the hospital have not been tested, it is logical to infer that bright lighting would also be useful in other places where precision is called for.

Pain. Exposure to natural light has been found to reduce patients' pain and the amount of pain medications that they use. Buildings should be carefully designed so that patient rooms can have abundant natural light.

Patient Sleep. As a major contributor to normal circadian rhythm, the amount of light that patients are exposed to at different times of day can affect sleep quality. During the day, patients should be exposed to adequate natural light or bright artificial lighting when natural light is not available. At nighttime, if possible, the light in patients' rooms should be dimmed long enough to ensure good sleep.

Depression. A considerable body of rigorous evidence indicates that exposure to light—daylight or bright artificial light—is effective in reducing depression and improving mood. These findings underline the importance of building orientation and site planning in new healthcare projects.

Length of Stay. Research on patients suffering from depression found that patients in rooms with more morning daylight had shorter lengths of stay than patients in rooms without morning sunlight.

Communication with Patients and Families. Research on counseling rooms suggests that people feel more comfortable talking and talk longer in rooms with dim lighting as compared to similar rooms with bright lighting.

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm

THE WALL STREET JOURNAL.
WSJ.com

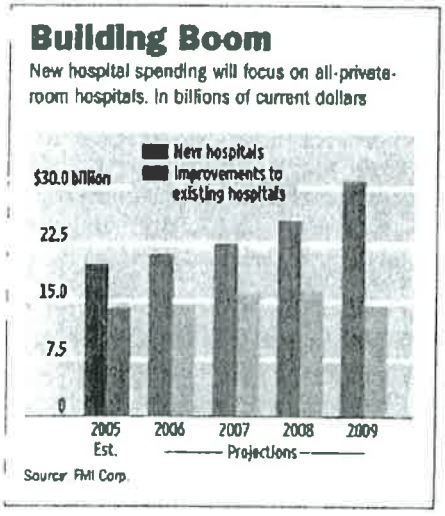
THE INFORMED PATIENT | March 22, 2006

New Standards for Hospitals Call For Patients to Get Private Rooms

By LAURA LANDRO

The private patient room, once a luxury for the privileged few, is about to become the standard for the nation's hospitals, as evidence mounts that shared rooms lead to higher infection rates, more medical errors, privacy violations and harmful stress.

New guidelines for hospital design, due out next month, will for the first time call for single-patient rooms as a minimum requirement for most new hospital construction. Published every four years by the nonprofit Facilities Guidelines Institute and the American Institute of Architects' Academy of Architecture for Health, the guidelines are used by more than 40 state governments to set regulations, approve construction plans and license hospitals to operate.



With growing concern about infection risk and pandemic disease outbreaks, the guidelines will also include other new safety recommendations, including more areas in hospitals that can be quickly isolated during an infectious-disease outbreak, and better ventilation systems to thwart the spread of bacteria.

The new guidelines apply only to new construction. But they will influence a significant proportion of the nation's approximately 6,000 hospitals, which are already launching a building boom to meet demand from an aging population and replace obsolete facilities.

Mark Bridgers, a senior consultant at construction research firm FMI Corp., estimates that spending on new construction alone -- including hospitals tearing down old facilities to rebuild or starting from scratch on new sites -- will exceed $30 billion by 2009, up from about $19.8 billion last year. And the majority of new projects are for all-private rooms, according to health-care architects and construction firms.

The guidelines will add to growing competitive pressure on existing facilities to shift to the all-private model when practical. The trend toward all-private-room designs began a few years ago as

hospitals vied for patients by offering better amenities and more comfortable facilities where family members can stay overnight in patient rooms. Affluent baby boomers, too, have been willing to shell out extra out-of-pocket expenses for private rooms.

But the driving force behind all-private rooms is coming down to better patient safety -- and better economics. "Unless there are extenuating circumstances, for most hospitals the semiprivate room will be a thing of the past," says Scot Latimer, a consultant at Kurt Salmon Associates and president of the health architecture group. While it may cost more to build hospitals with all-private rooms initially, he says, "they pay for themselves very quickly and are much less expensive to operate" in the long run.

In facilities that have a mix of private and semiprivate rooms, private rooms can cost hundreds of dollars more per day and are rarely covered by insurance unless deemed medically necessary. But with the all-private model, a hospital has just one rate, which Medicare, Medicaid and private insurers must cover, hospitals say. Many existing hospitals that have converted to all-private say they have met insurers halfway by continuing to charge their old semiprivate rates for all rooms.

Insurance companies increasingly reimburse hospitals for patients on a per diem basis, and the room rate may range from 10% of that charge to a third, depending on the severity of the case. A spokeswoman for insurer Aetna Inc., for example, says that in many cases, it is up to hospitals to allocate how the reimbursement is divided among room and other charges.

One reason the guidelines may actually reduce costs: Patients recover faster in private rooms. They are less susceptible to disease transmission, and are less likely to get the wrong medication or experience other medical errors because they were confused with a roommate. And studies show patients sleep better and maintain better spirits when there isn't another patient snoring or coughing in a nearby bed and they see only their own relatives and visitors.

Operating and labor costs are also less than for semiprivate rooms because patients don't have to be transferred as often. And with no need to make sure male and female patients have roommates of the same sex, hospitals can actually run at higher occupancy, notes Craig Zimring, a professor at the Georgia Institute of Technology and co-author of a report to the nonprofit Center For Health Design, which conducts research on optimal hospital facilities.

Private rooms help reduce patient falls, which can add $10,000 in extra costs. In private rooms, among other things, patients often have relatives around for assistance and have less equipment and furniture to maneuver around. Private rooms also allow full use of hospital beds, while hospitals with semiprivate rooms often have 10% or more of beds unoccupied.

Numerous studies show that infection rates are lower in private hospital rooms, for fairly obvious reasons: Patients don't have to share a bathroom where bacteria lurk, and they aren't exposed to airborne infections that waft over from a roommate. In shared rooms, staffers may touch both patients without washing their hands between contacts, or after touching privacy curtains, blood-pressure cuffs, computer keyboards and other equipment used for both patients in a room.

With added costs from infections and other risks in shared rooms, "we can't afford to operate U.S. hospitals that have anything other than private rooms," Mr. Zimring says.

At Bronson Methodist Hospital in Kalamazoo, Mich., which built a new all-private-room hospital in 2000 with hand-washing stations in each room, a study showed a 45% decline in infection rates in the new hospital compared with an older facility with semiprivate rooms that it closed after the new one was completed. The private rooms required more space per patient and cost more to build, but

savings in operational costs from the reduced infection rates offset the initial capital expense, the hospital says. Bronson says room charges in its new facility were based on the semiprivate rate before the move.

Richard Van Enk, the epidemiologist at Bronson and co-author of the study, also says new federal privacy regulations are almost impossible to enforce in shared rooms, where every consultation with a doctor or nurse can possibly be overheard. "If I were ill and dealing with a disease, I can't imagine wanting a complete stranger sharing that experience," he says.

That was the case for Ann Nieuwenhuis, an educator and researcher at Michigan State University, who was treated in a private room at Bronson after an auto accident last year. "Just being able to have the trauma surgeon come in and not have to speak in hushed tones about my treatment was a relief," she says. Her husband was able to stay in the room, it was quiet enough to sleep, and she didn't have to worry about personal privacy or disturbing a fellow patient.

HCA Inc., the largest for-profit hospital company, with 182 hospitals, already recommends that its hospitals make the shift to private rooms when building new facilities. While private rooms can mean extra walking time between rooms for nurses and other staff, they reduce the need to move around equipment that might spread infection, notes Jane Englebright, vice president for quality programs. Patients also find there is a much better "healing environment," she says, "because you don't have issues like roommates who don't like the same TV program or don't like your family."

Some experts warn that not all hospitals can afford to convert to all-private rooms. In dense urban areas, there may not be enough real estate to expand, and in rural areas that need to serve a widely spread population, hospitals may not find it feasible to build a facility large enough to give them all private rooms. Hospitals also must have "surge capacity" -- the ability to add beds in an emergency or disease outbreak.

"If the choice is one patient in a private room and the other one in the hallway, two in a room is obviously better for patients," says Dale Woodin, deputy executive director of the American Hospital Association's health-care engineering society.

Joseph G. Sprague, senior vice president at Dallas health-care design firm HKS Inc. and chairman of the health-care guidelines revision committee, says the guidelines provide an exception to the private-room standard if hospitals can demonstrate "the necessity of a two-bed arrangement," which might include the need to handle surge capacity in regions such as the Southeast, where there is a big seasonal population influx. There may also be some "therapeutic value in having more than one patient in a room," such as rehabilitation hospitals, where it can be encouraging for patients to see each other's progress, he adds.

At Proctor Hospital in Peoria, Ill., which began a gradual shift to all-private rooms starting in 1997, Chief Operating Officer Garrett McGowan says its 128 private rooms are large enough and designed to add a second patient in the event of need. "We can convert back to semiprivate and we've had to do that from time to time," Mr. McGowan says.

Chicago's Northwestern Memorial Hospital found that patient satisfaction scores went up sharply after the hospital switched to all-private rooms in 1999 -- and the 500-bed hospital is now able to provide equal accommodations for both affluent and less-well-off patients. "Every single patient deserves a private room, and it doesn't matter whether they are rich or poor," says Jean Przybylek, vice president of operations.

- Email me at informedpatient@wsj.com.

How will the relocation of the proposed 49 bed rehab unit affect the existing 18 bed skilled nursing unit at BRG? Please clarify if the BRG 18 bed skilled nursing unit has been experiencing the same utilization trends as the existing 49 bed rehab unit (a reduction in days from 2009-2011).

Response

Operation of the existing 18 bed skilled nursing unit, separately licensed as Baptist Skilled Rehabilitation Unit-Germantown, is expected to continue without interruption. The utilization of the SNF is continuing with high utilization and is not experiencing the same trends as the Rehabilitation facility.

Please clarify if outpatient services will be offered at the proposed site.

Response

Outpatient services will continue to be offered at the current hospital site in Germantown. The proposed Baptist Memorial Rehabilitation Hospital will focus on providing inpatient rehabilitation services only.

The applicant is referencing Joint Ownership Venture Ownership Structure-Exhibit B.3. This exhibit could not be found in the application. Please clarify.

Response

The Reference to Exhibit B.3 is a transcription mistake that should refer to Exhibit A.4. A corrected page 7 is provided.

On page 8 there appears to be an error in the referenced lease costs ($33,167,900). Please correct and submit a replacement page.

Response

The transcription mistake has been corrected and a corrected page 8 is provided,

Excerpt from p. 203 Guidelines for Design and Construction of Health Care Facilities 2010 Edition

2.6 Specific Requirements for Rehabilitation Hospitals and Other Facilities

2.6-2.2 Rehabilitation Nursing Unit

2.6-2.2.1 Application

Each patient room shall meet the following standards:

2.6-2.2.2 Patient Room

2.6-2.2.2.1 Capacity

(1) The maximum number of beds per room shall be one unless the approved functional program demonstrates the necessity of a multi-bed arrangement. Approval of a multi-bed arrangement shall be obtained from the authority having jurisdiction.

(2) Larger units shall be permitted if justified by the functional program.

(3) At least two single-bed rooms with private toilet rooms shall be provided for each nursing unit.

2.6-2.2.2.2 Space requirements

(1) Area. Patient rooms shall have a minimum clear floor area of 140 square feet (13.01 square meters) in single-bed rooms and 125 square feet (11.61 square meters) per bed in multiple-bed rooms.

Please clarify if outpatient services will be offered at the proposed site.

Response

Outpatient services will continue to be offered at the current hospital site in Germantown. The proposed Baptist Memorial Rehabilitation Hospital will focus on providing inpatient rehabilitation services only.

The applicant is referencing Joint Ownership Venture Ownership Structure-Exhibit B.3. This exhibit could not be found in the application. Please clarify.

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On page 8 there appears to be an error in the referenced lease costs ($33,167,900). Please correct and submit a replacement page.

Response

The transcription mistake has been corrected and a corrected page 8 is provided,

- The mobility courtyard includes simulation of curbs, rough and smooth services, and various depths of steps. Practice on these skills allows persons to be mobile in the community.
- Larger therapeutic gym space allows patients to receive their therapeutic exercises and training in an environment where they are able to see other patients with disabilities making progress, thus serving as support to help each patient progress toward their goals
- The addition of private treatment rooms allow for a flexible environment, depending on patient needs. Large common areas allow for improved socialization skills when recovering from a disabling condition.
- A specialized Stroke/Neurological Unit (24-26 beds) to meet the needs of the approximately 3,000 MDC 1 (Diseases and Disorders of the Nervous System – See Exhibit B.1) patients being discharged by Baptist Memorial and other hospitals in a safe and "secure" environment. This specialized unit is self contained, including dedicated therapy and treatment space. It is difficult for an older facility with primarily semi-private rooms to modify the environment to apply such safety features and specialized treatments. The hospital would also offer specialized programming to serve the needs of Baptist Memorial's significant Brain Injury patient population.

Ownership Structure

The new hospital will be owned and operated by the partnership formed by an affiliate of Baptist Memorial Health Care and an affiliate of Centerre Healthcare. Baptist Memorial has a 55% ownership interest and Centerre Healthcare completes the additional 45% interest. A Board of Directors comprised of members from both parties will govern the operations of the new hospital and will ensure that Baptist Memorial Health Care Corporation's Ethical and Religious Directives (ERD's) and Charity Policies are followed. A third party developer or REIT will purchase/develop the land and building and lease it back to the joint venture. (See Joint Venture Ownership Structure -- Attachment A-4

Service Area

The service area for the proposed hospital will continue to be primarily Shelby County where more than 70% of inpatients originate. Many patients at the current rehabilitation facility have been discharged from Baptist Memorial Hospital – Memphis or Baptist Memorial Hospital – Collierville to the Germantown Rehabilitation facility.

Need

Upon completion of the proposed facility, Baptist Rehabilitation-Germantown will delicense its 49 inpatient rehabilitation beds. Thus, the proposed project will not add beds to the service area but will provide an inpatient rehabilitation facility that has all ADA compliant, private rooms and state-of-the-art equipment and facilities. These improvements will allow more effective capacity (semi-private rooms limit capacity due to gender issues, disease control issues, etc.), establish a "Center of Excellence" for the greater Memphis area (See Exhibit B.4 - Centerre Clinical Indicators for Centerre's outstanding clinical outcomes) and better serve the community by creating specialized programs for stroke, neurological disorders and brain injury patients.

The increased capacity and specialized programming will strengthen the post-acute continuum and maintain highly acute patient populations. Enhancing the ability to care for medically complex patients will reduce the likelihood of readmissions and thus reduce the overall cost of care.

Existing Resources

There are 5 hospitals in Shelby County with certified inpatient rehabilitation beds (including Baptist Rehabilitation – Germantown) and the total number of beds in service is 218. Since this project does not add beds and serves the same area, this project will not impact the other facilities.

Project Cost, Funding, Financial Feasibility and Staffing

- Total Project Costs are estimated to be approximately $33,167,900 including lease costs in the total amount of $ 30,286,183 over the initial term of the lease.
- As demonstrated in the Projected Data Chart (Exhibit C: Economic Feasibility.4), the proposed new hospital will operate with a slight negative financial margin in Year 1. Start-up costs inherent in developing and operating the new hospital will contribute to the negative margin. Additionally, the new hospital will obtain a provider number and go through licensure and certification and will therefore ramp slowly over the first three months of operation. Beginning in Year 2, the proposed hospital will operate with a positive financial margin. The proposed hospital will have effectively the same charge structure as the current unit at Baptist Rehabilitation – Germantown.
- At maturity, it is anticipated that the new hospital will require approximately 130 total FTE's – clinical and non-clinical; nurses, therapists, and administrative staff (primarily recruited from existing Baptist Memorial locations). A CEO will be hired to manage the day-to-day operations of the hospital. The CEO will report to a Board of Managers, with equal representation from both Baptist Memorial and Centerre. The Board of Managers will work closely with a Community Advisory Committee. A Medical Director will be appointed to oversee and implement the clinical programming for the hospital. (See Exhibit B.5 for Hospital Organization Chart, with additional oversight roles).

6. Section B, Project Description, Item II.A.

Please indicate if the proposed facility will be AIA compliant. Please indicate the dimensions of the proposed patient rooms.

Response
The proposed facility will be AIA compliant. The letter from the architect provided as Exhibit - Economic Feasibility 1 references the *Current edition of FGI Guidelines for the Design and Construction of Healthcare Facilities* as the first item. This publication is often referred to as the AIA Guidelines.

The patient rooms will be approximately 285 square feet in an area. The toilets are inboard and the 12' x 13' clear floor area that the AIA guidelines require is provided.

7. **Section B, Project Description, Item II.C.**

Of the thirteen specific diagnoses defined by CMS as part of the 60 percent rule, which ones does the applicant anticipate will be referred to the proposed inpatient rehabilitation service? Please provide the projection numbers for each of the anticipated diagnoses and the methodology used to reach the projection numbers.

Response:
As referenced in other sections of the application, the 13 qualifying medical conditions used to classify a facility as an IRF are:"

- Stroke
- Spinal cord injury
- Congenital deformity
- Amputation
- Major multiple trauma
- Hip fracture
- Brain injury
- Neurological disorders
- Burns
- 3 arthritis conditions for which appropriate, aggressive, and sustained outpatient therapy has failed, and
- Joint replacement for both knees or hips when the surgery immediately precedes admission, when the BMI >=50, or age 85+

The Centerre model outlined in the application that is based on discharges from BMH-Memphis and BMH-Collierville provided the following figure that demonstrates sufficient need for the proposed project. As shown in the figure, discharges from the acute facilities provides a potential compliant Average Daily Census (ADC) of 51.4 and a non-compliant potential ADC of 27.7 for a total rehab potential ADC of 79.1.

Baptist Memphis and Baptist Collierville - All Payer Data
FY 2010

DRG #	Area/RIC	# of All Payor Cases	DRG #	Area/RIC	# of All Payor Cases	RIC	Description	DRG CROSS REF	Total # of All Payor Cases
20	3	21	241	10	1				
21	3	8	255	11	1	1	Stroke	61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72	1,242
22	3	7	256	11	3				
23	3	32	257	11	-				
24	3	5	453	9	4				
25	3	69	454	9	5	2	Traumatic Brain Injury	26, 27, 82, 83, 84, 85, 86, 87, 88	271
26	2	57	455	9	5				
27	2	87	459	9	19				
28	5	13	461	8	2	3	Non Traumatic Brain Injury	20, 21, 22, 23, 24, 25, 31, 37, 75, 76, 77, 78, 79, 80, 81	241
31	3	10	462	8	16				
37	3	32	466	9	6	4	Traumatic Spinal Cord Injury		-
38	6	28	467	9	34				
39	6	101	468	9	24	5	Non Traumatic Spinal Cord Injury	28, 52, 53	18
41	6	22	469	8	79				
42	6	17	470	8	543				
52	5	2	471	9	18	6	Neurological	38, 39, 41, 42, 54, 55, 56, 57, 58, 59, 60, 73, 74, 91, 92, 93, 97, 98, 99,100, 129, 130, 149	812
53	5	3	474	10	6				
54	6	44	475	10	7				
55	6	36	476	10	1	7	Fracture of lower extremity	480, 481, 482, 533, 534, 535, 536	312
56	6	31	480	7	90				
57	6	54	481	7	117				
58	6	3	482	7	42	8	Replacement of lower extremity joint	461, 462, 469, 470, 483, 484	709
59	6	11	483	8	14				
60	6	16	484	8	55				
61	1	7	490	9	72	9	Other Orthopedic	453, 454, 455, 459, 466, 467, 468, 471, 490, 507, 508, 515, 539, 540, 541, 542, 543, 544, 545, 548, 549, 550, 553, 559, 560, 561	379
62	1	7	507	9	1				
63	1	1	508	9	4				
64	1	304	515	9	13	10	Amputation, lower extremity	239, 240, 241, 474, 475, 476, 616, 617, 618	76
65	1	208	533	7	1				
66	1	157	534	7	6				
67	1	11	535	7	10	11	Amputation, non-lower extremity	255, 256, 257	4
68	1	25	536	7	46				
69	1	248	539	9	15	12	Osteoarthritis		-
70	1	148	540	9	15	13	Rheumatoid		-
71	1	88	541	9	2	14	Cardiac		-
72	1	38	542	9	30	15	Pulmonary		-
73	6	60	543	9	30	16	Pain Syndrome		-
74	6	127	544	9	11				
75	3	11	545	9	18	17	MMT without Brain or Spinal Cord Injury	183, 184, 185, 913, 914, 956, 957, 958, 959, 963, 964, 965	52
76	3	12	548	9	4				
77	3	13	549	9	2	18	MMT with Brain or Spinal Cord Injury	955	1
78	3	11	550	9	1				
79	3	5	553	9	18	19	Guillan Barre		-
80	3	1	559	9	5				
81	3	4	560	9	12	20	Burns	927, 928, 929, 933, 934, 935	6
82	2	4	561	9	11				
83	2	2	616	10	2	21	Miscellaneous		-
84	2	7	617	10	12				
85	2	31	618	10	-				
86	2	39	913	17	4				
87	2	36	914	17	11				
88	2	8	927	20	-				
91	6	26	928	20	2				
92	6	44	929	20	-				
93	6	43	933	20	-				
97	6	3	934	20	1				
98	6	4	935	20	3				
99	6	2	955	18	1				
100	6	84	956	17	4				
129	6	7	957	17	1				
130	6	1	958	17	-				
149	6	48	959	17	1				
183	17	4	963	17	7				
184	17	4	964	17	4				
185	17	8	965	17	4				
239	10	29							
240	10	18							
					4,123				4,123

Rehabilitation Bed Need Analysis
Baptist Memorial Hospital - Memphis & Collierville

Source: Hospital Data - Baptist Memorial Date Period: FY 2010				All Payor Cases		
Diagnostic Category	Total of All Payor Cases	Average Length of Stay	Percent Requiring Rehab	Rehab Aprop. Cases	Projected Rehab Patient Days	Projected Rehab ADC
Stroke	1,242	17.6	40%	497	8,744	24.0
Traumatic Brain Injury	271	17.6	30%	81	1,431	3.9
Non Traumatic Brain Injury	241	15.6	30%	72	1,128	3.1
Traumatic Spinal Cord Injury	-	27.2	50%	-	-	-
Non Traumatic Spinal Cord Injury	18	18.0	25%	5	81	0.2
Neurological	812	14.3	40%	325	4,645	12.7
Fracture of lower extremity	312	13.8	25%	78	1,076	2.9
Replacement of lower extremity joint	709	10.8	5%	35	383	1.0
Other Orthopedic	379	12.7	15%	57	722	2.0
Amputation, lower extremity	76	13.5	15%	11	154	0.4
Amputation, non-lower extremity	4	13.1	10%	0	5	0.0
Osteoarthritis	-	11.3	10%	-	-	-
Rheumatoid	-	10.6	10%	-	-	-
Cardiac	-	11.9	10%	-	-	-
Pulmonary	-	12.9	1%	-	-	-
Pain Syndrome	-	10.5	1%	-	-	-
MMT without Brain or Spinal Cord Injury	52	13.8	50%	26	359	1.0
MMT with Brain or Spinal Cord Injury	1	21.6	50%	1	11	0.0
Guillan Barre	-	14.0	80%	-	-	-
Burns	6	16.5	25%	2	25	0.1
	4,123			1,190	18,763	51.4

Please Note: ALOS has been updated as of 4/25/11 by the Nation Adjusted Mean LOS from UDS.

ALL PAYOR	
Estimated All Payor ADC	51.4
Selected DRGs	
Adjusted 35% for all other DRG's	79.1
Add additional 35% for non-compliant cases	

Using the above chart as the model for patient access, the first year's cases and days are shown in the figure below. Applying a 4 quarter ramp-up for the new hospital, the projection conservatively assumes a primarily compliant (within the 13 medical conditions) census resulting in 785 cases and 11,095 patient days in year 1.

Diagnostic Category	Potential Rehab Patient Days	Potential Rehab ADC	Projected LOS	YEAR 1 Projected Days	YEAR 1 Projected Cases
Stroke	8,743.68	23.96	16.00	5,200	325
Traumatic Brain Injury	1,430.88	3.92	16.00	848	53
Non Traumatic Brain Injury	1,127.88	3.09	15.00	645	43
Traumatic Spinal Cord Injury	0.00	0.00		0	0
Non Traumatic Spinal Cord Injury	81.00	0.22	16.00	48	3
Neurological	4,644.64	12.73	14.50	2,755	190
Fracture of lower extremity	1,076.40	2.95	13.90	639	46
Replacement of lower extremity joint	382.86	1.05	5.20	229	44
Other Orthopedic	722.00	1.98	7.25	428	59
Amputation, lower extremity	153.90	0.42	13.00	91	7
Amputation, non-lower extremity	5.24	0.01		0	0
Osteoarthritis	0.00	0.00		0	0
Rheumatoid	0.00	0.00		0	0
Cardiac	0.00	0.00		0	0
Pulmonary	0.00	0.00		0	0
Pain Syndrome	0.00	0.00		0	0
MMT without Brain or Spinal Cord Injury	358.80	0.98	14.14	212	15
MMT with Brain or Spinal Cord Injury	10.80	0.03		0	0
Guillan Barre	0.00	0.00		0	0
Burns	24.75	0.07		0	0
Total	18,762.83	51.41	7.46	11,095	785

8. Section B, Project Description, Item IV (Floor Plan)

Please indicate if the proposed facility will be AIA compliant. Please indicate the dimensions of the proposed patient rooms. Are there any minimum requirements for the dimensions of patient rooms?

Please clarify if the proposed building structure is designed to add additional rehab beds in the future if needed.

Response

As discussed in response to a previous item, the proposed facility will be AIA compliant. The letter from the architect provided as Exhibit Economic Feasibility 1 references the *Current edition of FGI Guidelines for the Design and Construction of Healthcare Facilities* as the first item. This publication is often referred to as the AIA Guidelines. The minimum requirement for the open area in a patient room from the FGI Guidelines is :

2.6-2.2.2.2 Space requirements

(1) Area. Patient rooms shall have a minimum clear floor area of 140 square feet (13.01 square meters) in single-bed rooms and 125 square feet (11.61 square meters) per bed in multiple-bed rooms.

The proposed structure has the capability to add beds in the future if needed.

9. **Section C. Need (Specific Criteria- Comprehensive Inpatient Rehabilitation Services) Item 7**

   Please describe in detail the applicant's experience with recruiting physiatrists and other related physician specialties.

Response:
Baptist Memorial Health Care Corporation has recruited physiatrists and other physician specialists for the current Baptist Rehabilitation-Germantown facility as well as other units in DeSoto County, MS and Oxford, MS.

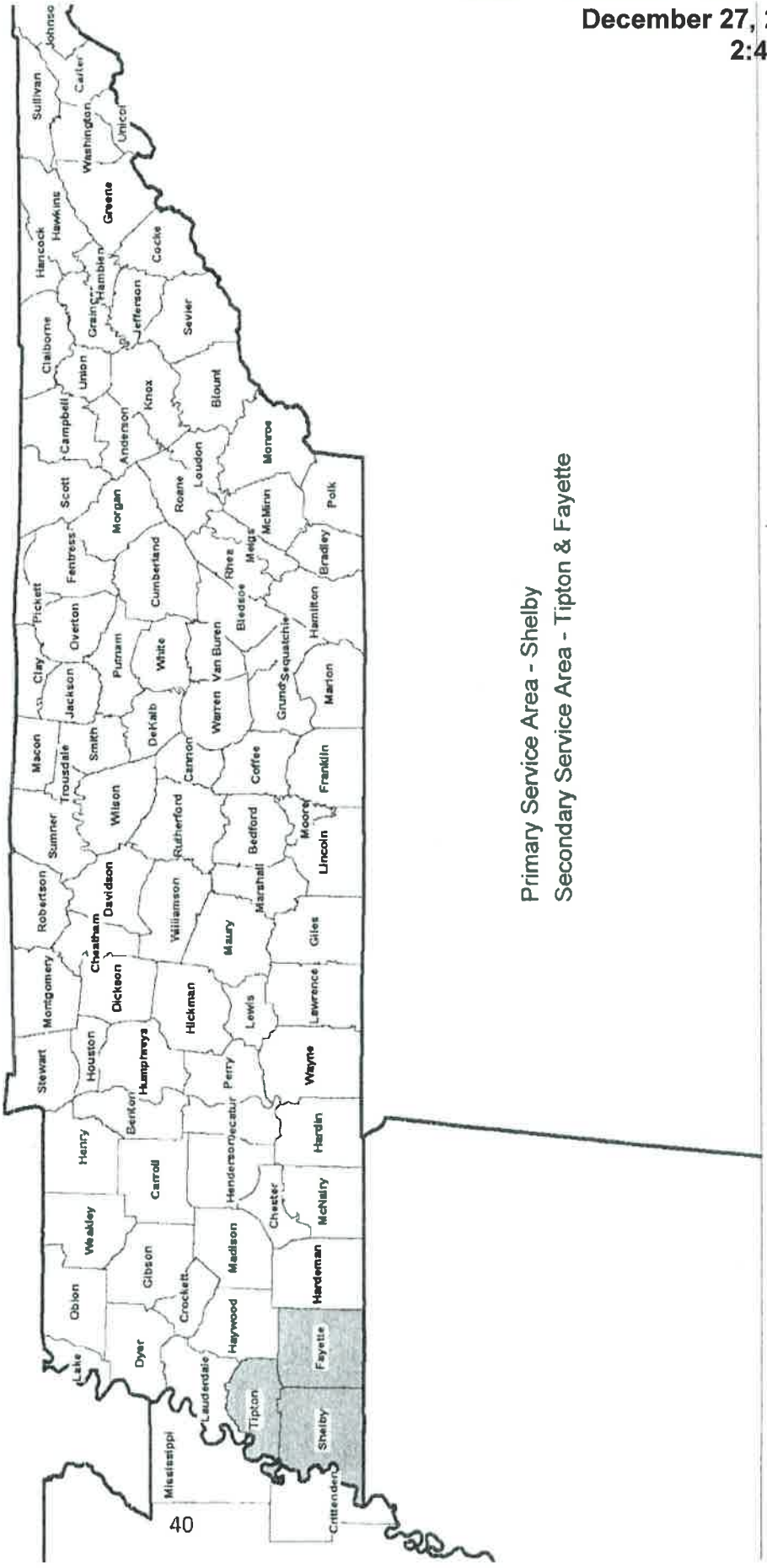
Centerre Healthcare Corporation is currently involved in the co-ownership and management of 9 inpatient rehabilitation facilities in 8 states. It has an established record of successfully recruiting physiatrists and other physicians to serve these facilities, and Centerre will use its recruiting experience and contacts to assure that appropriate physicians and other clinicians are available to meet the needs of patients in the facility.

10. Section C. Need Item 3

Please provide a State of Tennessee map that clearly provides an outline of all counties.

Response
A map showing all counties in Tennessee follows this page.

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm



11. Section C. Need Item 4 (b).

The applicant's response is noted. Other than a growing population of the age 65 and over, please describe any special needs of the Shelby County area population including health disparities, accessibility to services, woman, racial, ethnic minorities, and low income groups. In your response, please document how the applicant will take into consideration the special needs of the population.

Response:
The proposed new state-of-the-art facility will increase the inpatient rehabilitation capacity and allow improvements in service that will increase patient access and encourage participative effort in specialized therapies, and improve satisfaction.

Inpatient rehabilitation is particularly effective for patient populations with a large number of stroke/neurological disorders, as well as musculoskeletal and medically complex disabling conditions, a majority of which fall within the nervous system disorders or Major Diagnostic Category 1 (MDC 1). Baptist Memorial Hospital in Memphis and Collierville is responsible for a large population of patients with these diagnoses (approximately 3,000 total MDC 1 discharges in Shelby County). Establishing a state-of-the-art freestanding rehabilitation hospital, with specialized clinical services focused on such conditions ensures that the capability of providing high quality care will be available to these patients.

The service need is also demonstrated by the CARF accreditation for Stroke and Brain Injuries. CARF is an independent, nonprofit organization that focuses on advancing the quality of services and evaluating healthcare providers' commitment to continually improving services and serving the community. The new hospital expects to achieve CARF accreditation for these specialties as part of its mission to enhance the specialized programs that Baptist provides to the Memphis and Shelby County community. In this way, the joint venture will establish a "Center of Excellence" that is not currently available to the community.

12. Section C. Need Item 6

Please clarify why beds decreased at BRG from 68 in 2010 to 49 in 2011.
Also, please explain why did the occupancy rate decreased from 52.7% in 2009 with 68 beds to 47.7% in 2011 with 49 beds?

Response

Baptist Rehabilitation – Germantown received CON approval to establish an 18 bed Skilled Nursing Facility in 2010. Since 1 bed is an Acute care bed, the total rehabilitation unit became 49 beds. (68-1-18= 49)

The occupancy rate of rehabilitation services has been effected by the change in settings that are qualified by CMS for reimbursement for certain types of conditions. MedPac suggests that some of the growth in total rehabilitation days may be explained by a shift in the site of care from inpatient rehabilitation facilities (IRFs) to SNFs. The feasibility of provider settings, including IRFs and SNFs continues to be effected by changes in payer policies. Refinements in the policies from the Centers for Medicare and Medicaid Services continued with some taking effect in January 2010.

As presented in this CON application, the correct setting is essential to providing appropriate care. This application will improve the utilization of existing beds by making them more effectively able to accommodate compliant rehabilitation patients.

13. Section C, Economic Feasibility, Item 4 (Historical and Projected Data Chart

The HSDA is utilizing more detailed Historical and Projected Data Charts. Please complete the revised information Historical and Projected Data Charts provided at the end of this requests for supplemental information. Please note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

Why is Cafeteria Revenue included in the Projected Data Chart? Are these charges separate from the per diem charges?

The applicant has submitted a Historical Data Chart that includes outpatient and inpatient charges. Please submit a Historical Data Chart that only includes inpatient rehab charges for the past three years. This will enable a comparative analysis of the Historical Data Chart to the Projected Data Chart. In the Historical Data Chart please specify "B.4 Other Operating Revenue" and "D.8 other expenses". Please use the revised HSDA Historical Data Chart included at the end of this supplemental.

Response:
Cafeteria revenue reflects non-patient purchases and is not part of patient charges.

Both historical and projected are provided in the revised charts as requested.

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in OCT (Month)

	Year 2009	Year 2010	Year 2011
A. Utilization Date (Discharges / Days)	626 / 8819	1043 / 12,693	803 / 10,290
B. Revenue from Services to Patients			
1. Inpatient Services	$ 30,408,795	$ 27,084,006	$ 27,202,752
2. Outpatient Services			
3. Emergency Serivces			
4. Other Operating Revenue (specify) cafeteria, gift shop, etc.	$ 1,697,812	$ 1,621,424	$ 1,412,266
Gross Operating Revenue	$ 32,106,607	$ 28,705,430	$ 28,615,018
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	$ 21,944,490	$ 13,993,170	$ 13,138,840
2. Provision for Charity Care	$ 383,028	$ 536,335	$ 210,898
3. Provision for Bad Debt	$ 462,000	$ 1,062,400	$ 574,975
Total Deductions	$ 22,789,518	$ 15,591,905	$ 13,924,713
NET OPERATING REVENUE	$ 9,317,089	$ 13,113,525	$ 14,690,305
D. Operating Expenses			
1. Salaries and Wages	$ 9,393,457	$ 8,535,739	$ 8,120,069
2. Physician's Salaries and Wages			
3. Supplies	$ 867,701	$ 622,947	$ 717,326
4. Taxes			
5. Depreciation	$ 990,938	$ 1,043,043	$ 1,001,799
6. Rent			
7. Interest, other than Capital	$ 25,433	$ 27,727	$ 25,351
8. Management Fees:			
a. Fees to Affilitates	$ 1,248,050	$ 1,360,921	$ 1,443,235
b. Fees to Non-Affilitates			
9. Other Expenses (Specify on separate page)	$ 1,550,619	$ 1,212,578	$ 1,294,941
Total Operating Expenses	$ 14,076,198	$ 12,802,955	$ 12,602,721
E. Other Revenue (Expenses) - Net (Specify)	$ 71,514	$ 73,562	$ 69,011
NET OPERATING INCOME (LOSS)	$ (4,687,595)	$ 384,132	$ 2,156,595
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
Total Capital Expenditures	$ -	$ -	$ -
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	$ (4,687,595)	$ 384,132	$ 2,156,595

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm

PROJECTED DATA CHART

Give information for the last two (2) years following the completion of this proposal.
The fiscal year begins in July (Month)

	Year 1	Year 2
A. Utilization Date (Inpatient Discharges/inpatient days)	785 / 11,095	1061 / 15,006
B. Revenue from Services to Patients		
1. Inpatient Services	$ 31,440,690	$ 43,374,038
2. Outpatient Services		
3. Emergency Serivces		
4. Other Operating Revenue (specify) cafeteria	$ 66,566	$ 93,132
Gross Operating Revenue	$ 31,507,256	$ 43,467,170
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	$ 17,867,773	$ 24,390,358
2. Provision for Charity Care	$ 259,707	$ 357,210
3. Provision for Bad Debt	$ 162,755	$ 227,710
Total Deductions	$ 18,290,235	$ 24,975,278
NET OPERATING REVENUE	$ 13,217,021	$ 18,491,892
D. Operating Expenses		
1. Salaries and Wages	$ 7,297,025	$ 8,869,732
2. Physician's Salaries and Wages	$ 125,000	$ 125,000
3. Supplies	$ 904,220	$ 1,163,265
4. Taxes	$ 440,067	$ 448,868
5. Depreciation	$ 351,208	$ 457,210
6. Rent	$ 1,568,812	$ 1,604,110
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affilitates	$ 490,000	$ 935,980
b. Fees to Non-Affilitates	$ 75,000	$ 76,500
9. Other Expenses (Specify on separate page)	$ 2,341,686	$ 2,305,922
Total Operating Expenses	$ 13,593,018	$ 15,986,587
E. Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	$ (375,997)	$ 2,505,305
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	$ -	$ -
LESS CAPITAL EXPENDITURES	$ (375,997)	$ 2,505,305

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 2009	Year 2010	Year 2011
Purchased Services	$ 367,151	$ 193,375	$ 246,949
Insurance	$ 14,229	$ (555)	$ (29,498)
Repairs & Maintenance	$ 207,529	$ 262,826	$ 316,174
Utilities	$ 451,342	$ 304,641	$ 308,130
Other	$ 237,054	$ 207,109	$ 207,519
Professional	$ 273,314	$ 245,182	$ 245,667
Total Other Expenses	**$ 1,550,619**	**$ 1,212,578**	**$ 1,294,941**

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 1	Year 2
a. Utilities	468,118	503,410
b. Legal Fees and Other Professional Fees	477,485	45,918
c. Audit/Accounting Fees	33,285	45,918
d. Repairs and Maintenance	8,321	11,480
e. Registry/Temp Labor	110,950	153,062
f. Collection Agency	5,548	7,653
g. Printing	5,000	5,100
h. Bank Fees, Misc Service Charges	2,000	2,040
i. Continuing Education	11,095	15,306
j. Recruiting	69,190	30,612
k. Operating Room	42,938	59,235
l. Respiratory Therapy	55,475	76,531
m. Diagnostic Radiology	166,425	229,592
n. Laboratory	277,375	382,653
o. EKG	14,978	20,663
p. Renal Dialysis	11,095	15,306
q. Laundry & Linen	55,475	76,531
r. Other Fixed Costs	180,000	183,600
s. Other Variable Costs	110,950	153,061
t. Equipment Rental	110,950	153,061
u. Malpractice and Liability Insurance, base	35,000	35,700
v. Malpractice and Liability Insurance, variable	72,118	99,490
w. Other (Misc. Start-up Costs)	17,915	-
Total Other Expenses	2,341,686	2,305,922

14. Section C, Economic Feasibility, Item 6.A.

Please indicate the current and proposed charges. Also, please compare your average charge to several other freestanding rehabilitation hospitals in Tennessee.

Response:
The average charges for 2010 and 2011 are shown below along with the projected average charges for Year 1 and Year 2 after implementation of the proposed new Rehabilitation Hospital:

Comparison of historical and projected charges

Year	Gross Inpatient Charges	Gross Adjustments	Patient Days	Gross Charge/ Day	Net Rev/ Day
2010	$27,084,006	$16,094,386	10,290	$2,632	$1,068
2011	$27,202,752	$13,924,713	8,819	$3,085	$1,506
Year 1	$31,374,124	$18,290,235	11,095	$2,828	$1,179
Year 2	$43,373,988	$24,975,278	15,006	$2,890	$1,226

Charge comparisons to several other freestanding rehabilitation hospitals are shown in the following:

2011 Charge Comparison Source Hospital Joint Annual Reports and CN#1208-037

Facility	Gross Inpatient Charges	Gross Adjustments	Patient Days	Gross Charge/ Day	Net Rev/ Day
Baptist Rehab-Germantown	$27,202,752	$13,924,713	8,819	$3,085	$1,506
HealthSouth Memphis	$43,818,888	$18,794,949	19,529	$2,244	$1,281
Healthsouth Memphis North	$25,252,390	$6,830,021	13,657	$1,849	$1,349
The MED CN#1208-037			6,990	$4,446	$706
Vanderbilt Stallworth	$58,324,011	$32,658,946	22,180	$2,630	$1,157
HealthSouth Chattanooga	$22,988,928	$8,296,995	12,983	$1,771	$1,132

15. Section C, Economic Feasibility, Item 9

Please provide the most recent payor mix available of some other freestanding rehabilitation hospitals in the State.

Payor mix from free standing rehabilitation hospitals in the state

Source : 2011 Joint Annual Reports for Hospitals

Hospital Days	1	2	3	4	5	Days %	1	2	3	4	5
Self Pay	0	13	31	1	402		0.00%	0.10%	0.14%	0.01%	4.56%
Blue Cross/Blue Shield	772	454	3,232	398	939		3.95%	3.33%	14.57%	3.07%	10.65%
Champus/TRICARE	27	0	304	0	99		0.14%	0.00%	1.37%	0.00%	1.12%
Commercial	8	2,246	4,021	1,518	1,166		0.04%	16.46%	18.13%	11.69%	13.22%
Cover TN	0	0	0	0	0		0.00%	0.00%	0.00%	0.00%	0.00%
Cover Kids	0	0	0	0	0		0.00%	0.00%	0.00%	0.00%	0.00%
Access TN	0	0	0	0	0		0.00%	0.00%	0.00%	0.00%	0.00%
Medicaid/Tenncare	341	141	681	273	151		1.75%	1.03%	3.07%	2.10%	1.71%
Medicare-Total	13,782	10,643	13,396	10,629	5,888		70.57%	77.98%	60.40%	81.87%	66.76%
Medicare Managed Care	0	0	2,445	141	0		0.00%	0.00%	11.02%	1.09%	0.00%
Workers Compensation	228	0	515	37	174		1.17%	0.00%	2.32%	0.28%	1.97%
Other	4,371	152	0	127	0		22.38%	1.11%	0.00%	0.98%	0.00%
Total	19,529	13,649	22,180	12,983	8,819		100.00%	100.00%	100.00%	100.00%	100.00%

Hospital Legend for Above

HealthSouth Memphis	1
Healthsouth Memphis North	2
Vanderbilt Stallworth	3
HealthSouth Chattanooga	4
Baptist Rehab-Germantown	5

Hospital Admissions/Discharges	1	2	3	4	5	Admits	1	2	3	4	5
Self Pay	0	1	3	1	22	Disch	0.00%	0.10%	0.18%	0.10%	3.51%
Blue Cross/Blue Shield	57	33	225	37	64	%	3.61%	3.24%	13.25%	3.60%	10.22%
Champus/TRICARE	2	0	22	0	9		0.13%	0.00%	1.30%	0.00%	1.44%
Commercial	1	119	290	120	78		0.06%	11.69%	17.08%	11.68%	12.46%
Cover TN	0	0	0	0	0		0.00%	0.00%	0.00%	0.00%	0.00%
Cover Kids	0	0	0	0	0		0.00%	0.00%	0.00%	0.00%	0.00%
Access TN	0	0	0	0	0		0.00%	0.00%	0.00%	0.00%	0.00%
Medicaid/Tenncare	30	12	36	20	6		1.90%	1.18%	2.12%	1.95%	0.96%
Medicare-Total	1,118	838	1,088	834	442		70.80%	82.32%	64.08%	81.21%	70.61%
Medicare Managed Care	0	59	213	13	0		0.00%	5.80%	12.54%	1.27%	0.00%
Workers Compensation	19	0	34	3	5		1.20%	0.00%	2.00%	0.29%	0.80%
Other	352	15	0	12	0		22.29%	1.47%	0.00%	1.17%	0.00%
Total	1,579	1,018	1,698	1,027	626		100.00%	100.00%	100.00%	100.00%	100.00%

Hospital Legend for Above

HealthSouth Memphis	1
Healthsouth Memphis North	2
Vanderbilt Stallworth	3
HealthSouth Chattanooga	4
Baptist Rehab-Germantown	5

16. Section C, Contribution to Orderly Development, Item 1

Are you able to document interest from any of the hospitals in your proposed service area regarding the development of transfer agreements?

Response:
Baptist Rehabilitation -Germantown currently has transfer agreements with other hospitals within the Baptist System and with Methodist Germantown Hospital. The new hospital is anticipated to have similar agreements but formal interest has not yet been established.

The current agreements are for transferring patients who need more medical assistance than is available at the originating hospital. As demonstrated by the assessment of need related to BMH-Memphis and BMH-Collierville, the primary source of admissions to Baptist Memorial Rehabilitation Hospital is anticipated to be from acute hospitals within the Baptist Memorial Health Care system.

PATIENT TRANSFER AGREEMENT

THIS AGREEMENT (hereinafter referred to as "Agreement") is made and entered into by and between Baptist Memorial Regional Rehabilitation Services, Inc, on behalf of the Baptist Skilled Rehabilitation Unit - Germantown (hereinafter referred to as "Baptist") and Baptist Memorial Hospital - Collierville (hereinafter referred to as "Facility"), collectively "parties" or "the parties".

WHEREAS, Baptist may, from time to time, have patients who require medical care or services that Baptist cannot provide, but which are provided at or by Facility;

WHEREAS, Baptist desires to contract with Facility regarding the transfer of certain of these patients (for whom transfer is requested by Baptist and who are determined by Facility to be appropriate for transfer hereunder) to Facility for medical care and services;

NOW, THEREFORE, in consideration of the mutual promises and undertakings set out herein, the parties agree as follows:

1. TERM.

1.1. The initial term of this Agreement shall commence on the date of the later signing hereof and shall remain in force for one (1) year thereafter. At the end of the one year, this Agreement shall automatically renew for additional one-year terms unless either party gives thirty (30) days written notice to the other party.

2. TERMINATION.

2.1. Either party may terminate this Agreement with cause. "With cause" shall mean a material breach of the terms of this Agreement and the failure of the breaching party to cure such breach within ten (10) days of receipt of written notice detailing the nature of the alleged breach. If such breach is not cured within ten (10) days, the Agreement may then be immediately terminated without penalty.

2.2. Either party may termiante this Agreement without cause. "Without cause" shall mean that although both parties are complying with all terms of this Agreement, one party desires to terminate the Agreement for some reason unrelated to the other party's performance. Termination without cause requires thirty (30) days prior notice.

2.3. In the event of termination, the parties shall ensure the continuity of care for all patients previously transferred hereunder and shall continue to meet

all commitments and obligations hereunder for all patients previously transferred to Facility but not yet returned to Baptist.

2.4. This Agreement shall terminate immediately upon either party losing (by revocation or otherwise) its license or accreditation, becoming ineligible as a provider of services under Public Law 89-97, or becoming unable to provide necessary patient care and services.

3. PROCEDURE.

3.1 Baptist, upon determining that a patient requires medical care at Facility, shall contact the office/department designated by Facility, advise said office/department that Baptist has a patient to be considered for transfer to Facility, and provide such information regarding the patient and needed medical care and services as requested by Facility. All oral requests by Baptist for transfer shall be confirmed by Baptist in writing as soon thereafter as reasonably practicable. Facility shall then, in its sole discretion, determine whether such proposed patient is appropriate for transfer to Facility and whether a bed and the appropriate facilities and requested medical care are available. Facility shall notify Baptist of its acceptance or rejection of proposed transfer patients and, as to accepted patients, notify facility of the date, location and time at which it will accept the transfer and each such accepted patient. When appropriate, the attending physician who will be admitting such patient to his/her service must also give approval.

4. TRANSFER AND DELIVERY.

4.1 Baptist, after consultation with Facility, shall arrange for the appropriate transportation of accepted transfer patients from Baptist to Facility. Baptist will institute and provide all necessary measures to minimize any danger of deterioration of the patient's condition. Facility shall have no responsibility for arranging for such transfer(s) or the care of the patient(s) during transfer.

5. ADMISSION TO FACILITY.

5.1 Patients transferred hereunder must be formally admitted to Facility by a member of Facility's Medical Staff and must comply with Facility's conditions, requirements and policies for admission.

6. PATIENT RECORDS AND INFORMATION.

6.1 Baptist shall, at the time of transfer, provide Facility with all pertinent medical and other information necessary for appropriate care and treatment of patient at Facility including, but not limited to, current medical findings, diagnosis, rehabilitation potential, summary of course of

treatment/care followed at Baptist, as well as pertinent administrative and social information. When such information is needed in connection with Facility's determination of whether to accept a proposed transfer or Facility's preparation to admit, receive or care for the patient, Baptist shall provide such information to Facility prior to transfer of the patient. Otherwise, such information shall accompany the patient upon transfer.

7. PATIENT AUTHORIZATIONS AND CONSENT.

7.1 Baptist shall, prior to transfer, advise and inform each patient, or the patient's surrogate in the event of patient's medical or legal incompetence, of the details of the transfer, the need or reason(s) for the transfer, alternatives to the transfer, the risks involved and possible benefits of the transfer, and other information in accordance with the guidelines set out in the Accreditation Manual of the Joint Commission on Accreditation of Healthcare Organizations and in accordance with all applicable laws, rules and regulations. In addition, Baptist shall obtain from each patient an informed consent for such transfer to Facility.

8. BILLING AND COLLECTIONS.

8.1. All claims or charges incurred with respect to any services performed by either institution for patients received from the other institution pursuant to this Agreement shall be billed and collected by the institution providing such services directly from the patient, the patient's responsible party, Medicare, Medicaid, a managed care organization or any other third party reimbursement source (collectively referred to as the "Appropriate Payor"), unless the applicable law and regulations require that one institution bill the other institution for such services. In those cases in which the regulations apply, the institutions shall bill in accordance with the regulations that apply to skilled nursing facility prospective payment system ("SNF PPS") and consolidated billing. In those cases in which the payment is consistent with SNF PPS regulations, such payment shall be in accordance with the payment fee schedule attached to and incorporated by reference as Exhibit A. It is further understood that professional fees will be billed by those physicians or other professionals who actually participate in the care and treatment of the patient and who are entitled to bill for their professional services at usual and customary rates. To the extent allowed by law, each party agrees to provide information in its possession to the other party and such physicians or other professional providers sufficient to enable them to bill the Appropriate Payor. This provision does not preclude separate agreements between the parties for sale, purchase or exchange of supplies or services.

8.2. If any patient transfer from Baptist to Facility is determined to be subject to any conditions described in the CMS interrupted stay policy or other reimbursement provisions under Long Term Care Hospital Prospective Payment System Rules in effect at the time, Baptist will provide reimbursement to Facility for all services provided by Facility for that patient as set forth in the then-existing rule(s).

9. RE-TRANSFER.

9.1 At such time as the patient no longer requires the level of care that necessitated the transfer, Facility may request the re-transfer of the patient back to Baptist. Baptist thereupon agrees to reaccept the patient for admission. Baptist and Facility agree to coordinate effectively as may be necessary to ensure a smooth re-transfer of the patient.

10. NOTICE.

10.1 All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon deposit in the United States Post Office, by registered or certified mail, return receipt requested with postage prepaid and addressed to the other party at the following addresses:

To Baptist: Baptist Memorial Regional Rehabilitation Services, Inc.
2100 Exeter
Germantown, TN 38138
Attention: Administrator

To Facility: Baptist Memorial Hospital - Collierville
1500 West Poplar
Collierville, TN 38017
Attention: Glenn Baker

11. COMPLIANCE.

11.1. Neither Party, nor its shareholders, members, directors, officers, agents, employees or members of its workforce have been excluded or served a notice of exclusion or have been served with a notice of proposed exclusion, or have committed any acts which are cause for exclusion, from participation in, or had any sanctions, or civil or criminal penalties imposed under, any federal or state healthcare program, including but not limited to Medicare or Medicaid, or have been convicted, under federal or state law (including without limitation a plea of nolo contendere or participation in a

first offender deterred adjudication or other arrangement whereby a judgment of conviction has been withheld), of a criminal offense related to (a) the neglect or abuse of a patient, (b) the delivery of an item or service, including the performance of management or administrative services related to the delivery of an item or service, under a federal or state healthcare program, (c) fraud, theft, embezzlement, breach of fiduciary responsibility, or other financial misconduct in connection with the delivery of a healthcare item or service or with respect to any act or omission in any program operated by or financed in whole or in part by any federal, state or local government agency, (d) the unlawful, manufacture, distribution, prescription or dispensing of a controlled substance, or (e) interference with or obstruction of any investigation into any criminal offense described in (a) through (d) above. Each Party further agrees to notify the other Party immediately after the Party becomes aware that any of the foregoing representation and warranties may be inaccurate or may become incorrect.

11.2. All transfers hereunder shall be accomplished in every respect so as to comply with all applicable laws, rules and regulations, including but not limited to the Emergency Medical Treatment and Active Labor Act, and any state's applicable transfer regulations.

11.3. Nothing in this Agreement shall be construed or interpreted as requiring either party to transfer its patients to the other facility, precluding either party from using another facility, or obligating either party to accept all proposed or requested transfers from the other facility.

12. HIPAA.

12.1. The parties acknowledge that federal and state laws relating to the security of electronic data and privacy of individual's health information are in a time of transition and that amendment of this Agreement may be required in order to ensure compliance with changes in the laws and clarifications of meaning provided by the governmental entities charged with enforcing the laws. The parties specifically agree to take such action as is necessary to implement the requirements of Sections 1173 and 1175 of the Social Security Act, otherwise referred to as the Health Insurance Portability and Accountability Act of 1996, (hereinafter referred to as "HIPAA"); the regulations promulgated under HIPAA by the United States Department of Health and Human Services (hereinafter referred to as "HIPAA regulations") which are codified at 145 C.F.R. §160, 162, and §164; and other applicable laws relating to the security and confidentiality of protected health information. Upon request by either Baptist or Facility, the non-requesting party agrees to promptly enter into negotiations with the requesting party regarding the terms of a written amendment to this

Agreement to supplement and/or modify language as is required to comply with all applicable laws.

12.2. Baptist and Facility agree to maintain protected health information as confidential, disclosing information only as required or allowed by law and only after securing proper consent and/or authorization, as required by HIPAA regulations.

12.3. This Agreement shall be construed in favor of a meaning that permits Baptist to comply with HIPAA and the regulations promulgated pursuant thereto.

13. LIABILITY AND INDEMNITY.

13.1 Baptist shall defend, indemnify and hold Facility harmless from and against any and all claims or liability, of any nature whatsoever, resulting from or arising out of Baptist's acts or omissions in the care or treatment of any patient hereunder or Baptist's failure to comply with the provisions of this Agreement. Facility shall defend, indemnify and hold Baptist harmless from and against any and all claims or liability, of any nature whatsoever, resulting from or arising out of Facility's acts or omissions in the care or treatment of any patient hereunder or Facility's failure to comply with the provisions of this Agreement.

14. LIMITATIONS.

14.1. Facility has not and does not by execution of this Agreement represent or warrant that it will reserve any beds for such transfer patients from Baptist or guarantee the availability of beds at Facility for use by proposed transfer patients.

14.2. Nothing in this Agreement shall be construed as limiting the right of either party to contract with any other health care facility or institution while this Agreement is in effect or thereafter.

15. MISCELLANEOUS PROVISIONS.

15.1. This Agreement constitutes the entire Agreement between the parties and supersedes all prior Agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

15.2. This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Tennessee without reference to the principles of choice or conflict of law.

15.3. No failure or omission by the parties hereto in the performance of any obligation of this Agreement shall be deemed a breach of this Agreement nor shall it create any liability if the same shall arise from any cause or causes beyond the reasonable control of the affected party, including but not limited to, the following, which for purposes of this Agreement shall be regarded as beyond the control of the party in question: acts or omission of any government; any rules, regulations, or orders issued by any governmental authority or by any officer, department, agency, or instrumentality thereof; fire; storm; flood; explosions; earthquake; other acts of God; accident; war; rebellion; vandalism; insurrection; riot; invasion; strikes; labor lockouts; and failure of transportation, machinery or supplies; provided, the party so affected shall use its best efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

15.4. This Agreement may not be assigned without the prior written consent of both parties.

15.5. If any provision of this Agreement shall be held to be invalid, illegal or otherwise unenforceable, the validity, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

15.6. The failure of either party at any time to require performance by the other of any provision of this Agreement shall in no way affect that party's right to enforce such provision, nor shall the waiver by either party of any breach of any provision of this Agreement be taken or held to be a waiver of any further breach of the same provision or any other provision.

15.7. Any attachments referenced in this Agreement are an essential part of the Agreement of the parties, and shall be considered for all purposes a part of this Agreement. Any and all counterparts, photocopies, or other reproductions of this Agreement shall include all of its attachments attached thereto and made a part thereof.

15.8. This Agreement shall not be construed against the party or parties preparing it. It shall be construed as if all the parties and each of them jointly prepared this Agreement, and any uncertainty or ambiguity shall not be interpreted against one or more parties.

15.9. Neither party shall use the name of the other in any promotional, fund raising or advertising material unless approved in writing by the party whose name is to be so used.

15.10. Baptist and Facility shall each designate an appropriate person to act as liaisons between the two parties regarding this Agreement.

Each signatory represents that he/she has the authority to enter into this Agreement.

Baptist Memorial Regional Rehabilitation Services, Inc, on behalf of the Baptist Skilled Rehabilitation Unit - Germantown	**Baptist Memorial Hospital - Collierville**
By:	By:
Title: CEO/Administrator	Title: CEO & Administrator
Date: 06/28/10	Date: 7/6/10

PATIENT TRANSFER AGREEMENT

THIS AGREEMENT (hereinafter referred to as "Agreement") is made and entered into by and between Baptist Memorial Regional Rehabilitation Services (hereinafter referred to as "Baptist") and Methodist Healthcare - Memphis Hospitals (hereinafter referred to as "Facility"), collectively "parties" or "the parties".

WHEREAS, Baptist may, from time to time, have patients who require medical care or services that Baptist cannot provide, but which are provided at or by Facility;

WHEREAS, Baptist desires to contract with Facility regarding the transfer of certain of these patients (for whom transfer is requested by Baptist and who are determined by Facility to be appropriate for transfer hereunder) to Facility for medical care and services;

NOW, THEREFORE, in consideration of the mutual promises and undertakings set out herein, the parties agree as follows:

1. TERM.

1.1. The initial term of this Agreement shall commence on the date of the later signing hereof and shall remain in force for one (1) year thereafter. At the end of the one year, this Agreement shall automatically renew for additional one-year terms unless either party gives thirty (30) days written notice to the other party.

2. TERMINATION.

2.1. Either party may terminate this Agreement with cause. "With cause" shall mean a material breach of the terms of this Agreement and the failure of the breaching party to cure such breach within ten (10) days of receipt of written notice detailing the nature of the alleged breach. If such breach is not cured within ten (10) days, the Agreement may then be immediately terminated without penalty.

2.2. Either party may termiante this Agreement without cause. "Without cause" shall mean that although both parties are complying with all terms of this Agreement, one party desires to terminate the Agreement for some reason unrelated to the other party's performance. Termination without cause requires thirty (30) days prior notice.

2.3. In the event of termination, the parties shall ensure the continuity of care for all patients previously transferred hereunder and shall continue to meet all commitments and obligations hereunder for all patients previously transferred to Facility but not yet returned to Baptist.

2.4. This Agreement shall terminate immediately upon either party losing (by revocation or otherwise) its license or accreditation, becoming ineligible as a provider of services under Public Law 89-97, or becoming unable to provide necessary patient care and services.

3. PROCEDURE.

3.1 Baptist, upon determining that a patient requires medical care at Facility, shall contact the office/department designated by Facility, advise said office/department that Baptist has a patient to be considered for transfer to Facility, and provide such information regarding the patient and needed medical care and services as requested by Facility. All oral requests by Baptist for transfer shall be confirmed by Baptist in writing as soon thereafter as reasonably practicable. Facility shall then, in its sole discretion, determine whether such proposed patient is appropriate for transfer to Facility and whether a bed and the appropriate facilities and requested medical care are available. Facility shall notify Baptist of its acceptance or rejection of proposed transfer patients and, as to accepted patients, notify facility of the date, location and time at which it will accept the transfer and each such accepted patient. When appropriate, the attending physician who will be admitting such patient to his/her service must also give approval.

4. TRANSFER AND DELIVERY.

4.1 Baptist, after consultation with Facility, shall arrange for the appropriate transportation of accepted transfer patients from Baptist to Facility. Baptist will institute and provide all necessary measures to minimize any danger of deterioration of the patient's condition. Baptist shall remain responsible for patient until Patient's admission to Facility. Facility shall have no responsibility for arranging for such transfer(s) or the care of the patient(s) during transfer.

5. ADMISSION TO FACILITY.

5.1 Patients transferred hereunder must be formally admitted to Facility by a member of Facility's Medical Staff and must comply with Facility's conditions, requirements and policies for admission.

6. PATIENT RECORDS AND INFORMATION.

6.1 Baptist shall, at the time of transfer, provide Facility with patient's complete chart and medical records along with all pertinent medical and other information necessary for appropriate care and treatment of patient at Facility including, but not limited to, current medical findings, diagnosis, rehabilitation potential, summary of course of treatment/care followed at

Baptist, as well as pertinent administrative and social information. When such information is needed in connection with Facility's determination of whether to accept a proposed transfer or Facility's preparation to admit, receive or care for the patient, Baptist shall provide such information to Facility prior to transfer of the patient. Otherwise, such information shall accompany the patient upon transfer.

7. PATIENT AUTHORIZATIONS AND CONSENT.

7.1 Baptist shall, prior to transfer, advise and inform each patient, or the patient's surrogate in the event of patient's medical or legal incompetence, of the details of the transfer, the need or reason(s) for the transfer, alternatives to the transfer, the risks involved and possible benefits of the transfer, and other information in accordance with the guidelines set out in the Accreditation Manual of the Joint Commission on Accreditation of Healthcare Organizations and in accordance with all applicable laws, rules and regulations. In addition, Baptist shall obtain from each patient an informed consent, in writing or documented, for such transfer to Facility.

8. BILLING AND COLLECTIONS.

8.1. All claims or charges incurred with respect to any services performed by either institution for patients received from the other institution pursuant to this Agreement shall be billed and collected by the institution providing such services directly from the patient, the patient's responsible party, Medicare, Medicaid, a managed care organization or any other third party reimbursement source (collectively referred to as the "Appropriate Payor"), unless the applicable law and regulations require that one institution bill the other institution for such services. In those cases in which the regulations apply, the institutions shall bill in accordance with the regulations that apply to skilled nursing facility prospective payment system ("SNF PPS") and consolidated billing. It is further understood that professional fees will be billed by those physicians or other professionals who actually participate in the care and treatment of the patient and who are entitled to bill for their professional services at usual and customary rates. To the extent allowed by law, each party agrees to provide information in its possession to the other party and such physicians or other professional providers sufficient to enable them to bill the Appropriate Payor. This provision does not preclude separate agreements between the parties for sale, purchase or exchange of supplies or services.

8.2. If any patient transfer from Baptist to Facility is determined to be subject to any conditions described in the CMS interrupted stay policy or other reimbursement provisions under Long Term Care Hospital Prospective Payment System Rules in effect at the time, Baptist will provide reimbursement to Facility for all services provided by Facility for that patient as set forth in the then-existing rule(s).

9. RE-TRANSFER.

9.1 At such time as the patient no longer requires the level of care that necessitated the transfer, Facility may request the re-transfer of the patient back to Baptist. Baptist thereupon agrees to reaccept the patient for admission. Baptist and Facility agree to coordinate effectively as may be necessary to ensure a smooth re-transfer of the patient.

10. NOTICE.

10.1 All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon deposit in the United States Post Office, by registered or certified mail, return receipt requested with postage prepaid and addressed to the other party at the following addresses:

To Baptist: Baptist Memorial Regional Rehabilitation Services
2100 Exeter
Germantown, TN 38138
Attention: Administrator

To Facility: Methodist Healthcare - Memphis Hospitals
7691 Poplar Avenue
Germantown, TN 38138
Attention: William A Kenley

Copy to: Methodist Healthcare
Legal Dept.
1211 Union #700
Memphis TN 3810

11. COMPLIANCE.

11.1. Neither Party, nor its shareholders, members, directors, officers, agents, employees or members of its workforce have been excluded or served a notice of exclusion or have been served with a notice of proposed exclusion, or have committed any acts which are cause for exclusion, from participation in, or had any sanctions, or civil or criminal penalties imposed under, any federal or state healthcare program, including but not limited to Medicare or Medicaid, or have been convicted, under federal or state law (including without limitation a plea of nolo contendere or participation in a first offender deterred adjudication or other arrangement whereby a

9/1/12

judgment of conviction has been withheld), of a criminal offense related to (a) the neglect or abuse of a patient, (b) the delivery of an item or service, including the performance of management or administrative services related to the delivery of an item or service, under a federal or state healthcare program, (c) fraud, theft, embezzlement, breach of fiduciary responsibility, or other financial misconduct in connection with the delivery of a healthcare item or service or with respect to any act or omission in any program operated by or financed in whole or in part by any federal, state or local government agency, (d) the unlawful, manufacture, distribution, prescription or dispensing of a controlled substance, or (e) interference with or obstruction of any investigation into any criminal offense described in (a) through (d) above. Each Party further agrees to notify the other Party immediately after the Party becomes aware that any of the foregoing representation and warranties may be inaccurate or may become incorrect.

11.2. All transfers hereunder shall be accomplished in every respect so as to comply with all applicable laws, rules and regulations, including but not limited to the Emergency Medical Treatment and Active Labor Act, and any state's applicable transfer regulations.

11.3. Nothing in this Agreement shall be construed or interpreted as requiring either party to transfer its patients to the other facility, precluding either party from using another facility, or obligating either party to accept all proposed or requested transfers from the other facility.

12. HIPAA.

12.1. The parties acknowledge that federal and state laws relating to the security of electronic data and privacy of individual's health information are in a time of transition and that amendment of this Agreement may be required in order to ensure compliance with changes in the laws and clarifications of meaning provided by the governmental entities charged with enforcing the laws. The parties specifically agree to take such action as is necessary to implement the requirements of Sections 1173 and 1175 of the Social Security Act, otherwise referred to as the Health Insurance Portability and Accountability Act of 1996, (hereinafter referred to as "HIPAA"); the regulations promulgated under HIPAA by the United States Department of Health and Human Services (hereinafter referred to as "HIPAA regulations") which are codified at 145 C.F.R. §160, 162, and §164; and other applicable laws relating to the security and confidentiality of protected health information. Upon request by either Baptist or Facility, the non-requesting party agrees to promptly enter into negotiations with the requesting party regarding the terms of a written amendment to this

Agreement to supplement and/or modify language as is required to comply with all applicable laws.

12.2. Baptist and Facility agree to maintain protected health information as confidential, disclosing information only as required or allowed by law and only after securing proper consent and/or authorization, as required by HIPAA regulations.

12.3. This Agreement shall be construed in favor of a meaning that permits Baptist to comply with HIPAA and the regulations promulgated pursuant thereto.

13. LIABILITY AND INDEMNITY.

13.1 Baptist shall defend, indemnify and hold Facility harmless from and against any and all claims or liability, of any nature whatsoever, resulting from or arising out of Baptist's acts or omissions in the care or treatment of any patient hereunder or Baptist's failure to comply with the provisions of this Agreement. Facility shall defend, indemnify and hold Baptist harmless from and against any and all claims or liability, of any nature whatsoever, resulting from or arising out of Facility's negligent acts or omissions in the care or treatment of any patient hereunder or Facility's failure to comply with the provisions of this Agreement.

14. LIMITATIONS.

14.1. Facility has not and does not by execution of this Agreement represent or warrant that it will reserve any beds for such transfer patients from Baptist or guarantee the availability of beds at Facility for use by proposed transfer patients.

14.2. Nothing in this Agreement shall be construed as limiting the right of either party to contract with any other health care facility or institution while this Agreement is in effect or thereafter.

15. MISCELLANEOUS PROVISIONS.

15.1. This Agreement constitutes the entire Agreement between the parties and supersedes all prior Agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

15.2. This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Tennessee without reference to the principles of choice or conflict of law.

15.3. No failure or omission by the parties hereto in the performance of any obligation of this Agreement shall be deemed a breach of this Agreement nor shall it create any liability if the same shall arise from any cause or causes beyond the reasonable control of the affected party, including but not limited to, the following, which for purposes of this Agreement shall be regarded as beyond the control of the party in question: acts or omission of any government; any rules, regulations, or orders issued by any governmental authority or by any officer, department, agency, or instrumentality thereof; fire; storm; flood; explosions; earthquake; other acts of God; accident; war; rebellion; vandalism; insurrection; riot; invasion; strikes; labor lockouts; and failure of transportation, machinery or supplies; provided, the party so affected shall use its best efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

15.4. This Agreement may not be assigned without the prior written consent of both parties.

15.5. If any provision of this Agreement shall be held to be invalid, illegal or otherwise unenforceable, the validity, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

15.6. The failure of either party at any time to require performance by the other of any provision of this Agreement shall in no way affect that party's right to enforce such provision, nor shall the waiver by either party of any breach of any provision of this Agreement be taken or held to be a waiver of any further breach of the same provision or any other provision.

15.7. Any attachments referenced in this Agreement are an essential part of the Agreement of the parties, and shall be considered for all purposes a part of this Agreement. Any and all counterparts, photocopies, or other reproductions of this Agreement shall include all of its attachments attached thereto and made a part thereof.

15.8. This Agreement shall not be construed against the party or parties preparing it. It shall be construed as if all the parties and each of them jointly prepared this Agreement, and any uncertainty or ambiguity shall not be interpreted against one or more parties.

15.9. Neither party shall use the name of the other in any promotional, fund raising or advertising material unless approved in writing by the party whose name is to be so used.

15.10. Baptist and Facility shall each designate an appropriate person to act as liaisons between the two parties regarding this Agreement.

Each signatory represents that he/she has the authority to enter into this Agreement.

BAPTIST MEMORIAL REGIONAL REHABILITATION SERVICES	METHODIST HEALTHCARE - MEMPHIS HOSPITALS
By: Susan W Stratka	By:
Title: CEO / Administrator	Title: Sr. Vice President / CEO
Date: Aug 31, 10	Date: September 7, 2010

PATIENT TRANSFER AGREEMENT

(Baptist As Transferring Facility)

THIS AGREEMENT (hereinafter referred to as "Agreement") is made and entered into by and between Baptist Memorial Hospital – DeSoto (hereinafter referred to as "Baptist") and Baptist Memorial Hospital-Germantown (hereinafter referred to as "Facility"), collectively "parties" or "the parties".

WHEREAS, Baptist may, from time to time, have patients who require medical care or services that Baptist cannot provide, but which are provided at or by Facility;

WHEREAS, Baptist desires to contract with Facility regarding the transfer of certain of these patients (for whom transfer is requested by Baptist and who are determined by Facility to be appropriate for transfer hereunder) to Facility for medical care and services;

NOW, THEREFORE, in consideration of the mutual promises and undertakings set out herein, the parties agree as follows:

1. TERM AND TERMINATION.

1.1. The term of this Agreement is one (1) year and, unless either party provides written notice of non-renewal at least ninety (90) days prior to the expiration of the then-current term, shall automatically renew thereafter for successive one (1) year renewal terms up to, but not to exceed, a maximum of two (2) additional terms, subject to the following termination provisions:

1.1.1. Either party may terminate this Agreement for cause at any time without liability. For purposes of this Agreement, "for cause" shall include, but not necessarily be limited to, the following:

1.1.1.1. Any change in law or regulation or new legislation or regulations which has a material adverse effect on this Agreement, or which materially and adversely affects reimbursement under any third party payor reimbursement system; or

1.1.1.2. Any breach of the representations, warranties, or agreements made herein which breach is not cured within twenty (20) days of written notice thereof.

1.1.2. After this Agreement has been in effect for one (1) year, either party may, upon thirty (30) days advance written notice, terminate this Agreement at any time without cause and/or for any reason.

1.1.3. On or after the second anniversary of this Agreement or any renewal or other extension of said Agreement, Hospital shall, upon sixty (60) days advance written notice, have the unlimited right to terminate this Agreement without incurring any penalty as penalty is defined by Internal Revenue Service Revenue Procedure 97-13.

1.1.4. Either party may also terminate this Agreement for "Other Good Cause" upon sixty (60) days advance written notice to the other party. For purposes of this Paragraph, "Other Good Cause" shall be defined as a good faith determination by either party that continuation of this Agreement for the remainder of the term shall work a hardship upon either party or that continuation of this Agreement is not in the best interests of patient care.

2. PROCEDURE.

2.1. Baptist, upon determining that a patient requires medical care at Facility, shall contact the office/department designated by Facility, advise said office/department that Baptist has a patient to be considered for transfer to Facility, and provide such information regarding the patient and needed medical care and services as requested by Facility. All oral requests by Baptist for transfer shall be confirmed by Baptist in writing as soon thereafter as reasonably practicable. Facility shall then, in its sole discretion, determine whether such proposed patient is appropriate for transfer to Facility and whether a bed and the appropriate facilities and requested medical care are available. Facility shall notify Baptist of its acceptance or rejection of proposed transfer patients and, as to accepted patients, notify facility of the date, location and time at which it will accept the transfer and each such accepted patient. When appropriate, the attending physician who will be admitting such patient to his/her service must also give approval.

3. TRANSFER AND DELIVERY.

3.1. Baptist, after consultation with Facility, shall arrange for the appropriate transportation of accepted transfer patients from Baptist to Facility. Baptist will institute and provide all necessary measures to minimize any danger of deterioration of the patient's condition. Facility shall have no responsibility for arranging for such transfer(s) or the care of the patient(s) during transfer.

4. ADMISSION TO FACILITY.

4.1. Patients transferred hereunder must be formally admitted to Facility by a member of Facility's Medical Staff and must comply with Facility's conditions, requirements and policies for admission.

5. PATIENT RECORDS AND INFORMATION.

5.1. Baptist shall, at the time of transfer, provide Facility with all pertinent medical and other information necessary for appropriate care and treatment of patient at Facility including, but not limited to, current medical findings, diagnosis, rehabilitation potential, summary of course of treatment/care followed at Baptist, as well as pertinent administrative and social information. When such information is needed in connection with Facility's determination of whether to accept a proposed transfer or Facility's preparation to admit, receive or care for the patient, Baptist shall provide such information to Facility prior to transfer of the patient. Otherwise, such information shall accompany the patient upon transfer.

6. PATIENT AUTHORIZATIONS AND CONSENT.

6.1. Baptist shall, prior to transfer, advise and inform each patient, or the patient's surrogate in the event of patient's medical or legal incompetence, of the details of the transfer, the need or reason(s) for the transfer, alternatives to the transfer, the risks involved and possible benefits of the transfer, and other information in accordance with the guidelines set out in the Accreditation Manual of The Joint Commission and in accordance with all applicable laws, rules and regulations. In addition, Baptist shall obtain from each patient an informed consent for such transfer to Facility.

7. BILLING AND COLLECTIONS.

7.1. All claims or charges incurred with respect to any services performed by either institution for patients received from the other institution pursuant to this Agreement shall be billed and collected by the institution providing such services directly from the patient, the patient's responsible party, Medicare, Medicaid, a managed care organization or any other third party reimbursement source (collectively referred to as the "Appropriate Payor"), unless the applicable law and regulations require that one institution bill the other institution for such services. In those cases in which the regulations apply, the institutions shall bill in accordance with the regulations that apply to skilled nursing facility prospective payment system ("SNF PPS") and consolidated billing. In those cases in which the payment is consistent with SNF PPS regulations, such payment shall be in accordance with the payment fee schedule attached to and incorporated by reference as **EXHIBIT A**. It is further understood that professional fees will be billed by those physicians or other professionals who actually participate in the care and treatment of the patient and who are entitled to bill for their professional services at usual and customary rates. To the extent allowed by law, each party agrees to provide information in its possession to the other party and such physicians or other professional providers sufficient to enable them to bill the Appropriate Payor. This

provision does not preclude separate agreements between the parties for sale, purchase or exchange of supplies or services.

7.2. If any patient transfer from Baptist to Facility is determined to be subject to any conditions described in the CMS interrupted stay policy or other reimbursement provisions under Long Term Care Hospital Prospective Payment System Rules in effect at the time, Baptist will provide reimbursement to Facility for all services provided by Facility for that patient as set forth in the then-existing rule(s).

8. RE-TRANSFER.

8.1. At such time as the patient no longer requires the level of care that necessitated the transfer, Facility may request the re-transfer of the patient back to Baptist. Baptist thereupon agrees to reaccept the patient for admission. Baptist and Facility agree to coordinate effectively as may be necessary to ensure a smooth re-transfer of the patient.

9. NOTICE.

9.1. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon deposit in the United States Post Office, by registered or certified mail, return receipt requested with postage prepaid and addressed to the other party at the following addresses:

To Baptist: Baptist Memorial Hospital – DeSoto
7601 Southcrest Parkway
Southaven, MS 38671
Attention: Administrator

To Facility: Baptist Memorial Hospital-Germantown
2100 Exeter Rd.
Germantown, TN 38138
Attention: Administrator

10. COMPLIANCE WITH LAWS.

10.1. Vendor hereby represents and warrants to Baptist that it has reviewed the following government sponsored Internet websites: http://exclusions.oig.hhs.gov and http://www.epls.gov and, to the best of its knowledge, information and belief, neither Vendor nor any of its officers, directors, subsidiaries, affiliates, or employees performing services for Baptist either on-site or off-site (collectively, the Vendor Parties) have been excluded, or are pending exclusion, from participation in any federal or state funded health benefits program (including, without limitation, Medicare, Medicaid and CHAMPUS/TRICARE) or any federal

procurement or non-procurement program. Vendor shall immediately notify Baptist in writing if any Vendor Party is excluded from participation in any of the aforementioned programs. Vendor will use its best efforts to ensure that its business practices do not preclude Vendor from any such participation. Notwithstanding any other provision of this Agreement, Baptist shall have the right to immediately terminate this Agreement, without liability (including penalty if such is provided under this Agreement) or further obligation, upon exclusion of any Vendor Party from any such program.

10.2. Vendor shall notify Baptist immediately of the initiation of any complaint, inquiry, investigation, by any patient, person, physician, supplemental nursing personnel provided hereunder, review organization, committee, organization, other body/agency that reviews quality of medical care or compliance with reimbursement requirements of governmental or commercial payers. Vendor shall require its employees, managers, directors and agents to cooperate fully with Baptist's Quality Assurance, Total Quality Assessment, Risk Management, Human Resources and Compliance programs, including if necessary, providing interviews with Baptist staff, providing written statements to Baptist staff and/or cooperating with any investigation in any other respect reasonably requested by Baptist. Vendor agrees that Baptist shall solely direct the investigation and resolution of any complaint of any nature.

10.3. The parties shall perform under this Agreement in compliance with all applicable federal and state laws, including without limitation, the provisions of Sections 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Acts of 1967 and 1975, the Americans with Disabilities Act of 1990, Title VI of the Civil Rights Act of 1964, and, as applicable, in compliance with standards of the Joint Commission on Accreditation of Healthcare Organizations, the Medicare Conditions of Participation, and billing requirements of governmental and commercial payers.

10.4. The parties agree that neither shall discriminate against any person due to disability, age, race, color, religion, sex, national origin, or any other classification protected by federal, state constitutional or statutory law.

10.5. Vendor shall, until the expiration of four (4) years after the furnishing of services pursuant to this Agreement, make available upon written request of Secretary of Health and Human Services or the Comptroller General, or any of their duly authorized representatives, a copy of this Agreement, and the books, documents, and records of Vendor that are necessary to certify the nature and extent of costs incurred under this Agreement by the United States Department of Health and Human Services, if Vendor carries out any of the duties of the Agreement through subcontract with a value or cost of $10,000.00 or more over a twelve (12) month period with

a third party deemed a related organization, until the expiration of four (4) years after the furnishing of Services pursuant to such subcontract, the subcontractor shall make available, upon written request of the Secretary of Health and Human Services, or upon request of the Comptroller General or any of their duly authorized representatives, a copy of the Subcontract, and the books, documents, and records of such contractor that are necessary to verify the nature and extent of the cost incurred under this Agreement by the United States Department of Health and Human Services. Vendor will cooperate with Baptist in providing any information required by Medicare or other third party auditors.

10.6. If applicable, the parties hereto acknowledge and agree that neither this Agreement nor the compensation paid hereunder is based on, takes into account, or is contingent upon the admission or referral of any of Vendor's patients to any entity affiliated with Baptist or Baptist Memorial Health Care Corporation or the volume or value of referrals or other business generated between the parties for which payment may be made or sought in whole or in part under Medicare or any state health care program. The parties further agree that the compensation payable hereunder has been negotiated at arm's length and represents fair market value compensation for the services provided by Vendor.

10.7. The parties expressly acknowledge that it has been and continues to be their intent to comply fully with all applicable federal, state, and local laws, rules, and regulations. It is neither a purpose nor a requirement of this Agreement or any other agreement between the parties to offer or receive any remuneration or benefit of any nature for the referral of, or to solicit, require, induce, or encourage the referral of any patient, item, or business for which payment may be made or sought in whole or in part by Medicare, Medicaid, or any other federal or state reimbursement program. If applicable, this Agreement has been prepared to comply, to the extent possible, with all applicable Safe Harbor regulations and to comply with the Stark Law and all rules and regulations thereunder. All compensation and payments provided hereunder are intended to represent fair market value for the services provided and it is expressly acknowledged that no payment made or received under this Agreement is in return for the referral of patients or in return for the purchasing, leasing, ordering, arranging for, or recommending the purchasing, leasing, or ordering of any good, service, item, or product for which payment may be made or sought in whole or in part under Medicare, Medicaid, or any other federal or state reimbursement program. In the event of any applicable legislative or regulatory change or action, whether federal or state, that has or would have a significant adverse impact on either party hereto in connection with the performance of services hereunder, or should either party be deemed for any reason in violation of any statute or regulation arising from this Agreement, or should it be determined that this Agreement gives rise to a financial relationship or other relationship under the Stark Act which is not

subject to an applicable exception so that referrals between the parties, or billing for such referrals, would be prohibited or restricted by the Stark Act or other state or federal "anti-referral" law, then this Agreement shall be renegotiated to comply with the then current law and, if the parties hereto are unable to reach a mutually agreeable and appropriate modification, either party may terminate this Agreement upon ninety (90) days written notice to the other party.

11. HIPAA.

11.1. Both parties acknowledge that they are "Covered Entities" as the term is defined by the Health Insurance Portability and Accountability Act of 1996, as amended. Both parties agree to take such actions as necessary to comply with the privacy and security requirements of HIPAA.

11.2. Baptist and Facility agree to maintain protected health information as confidential, disclosing information only as required or allowed by law and only after securing proper consent and/or authorization, as required by HIPAA regulations.

12. LIABILITY AND INDEMNITY.

12.1. Baptist shall defend, indemnify and hold Facility harmless from and against any and all claims or liability, of any nature whatsoever, resulting from or arising out of Baptist's acts or omissions in the care or treatment of any patient hereunder or Baptist's failure to comply with the provisions of this Agreement. Facility shall defend, indemnify and hold Baptist harmless from and against any and all claims or liability, of any nature whatsoever, resulting from or arising out of Facility's acts or omissions in the care or treatment of any patient hereunder or Facility's failure to comply with the provisions of this Agreement.

13. LIMITATIONS.

13.1. Facility has not and does not by execution of this Agreement represent or warrant that it will reserve any beds for such transfer patients from Baptist or guarantee the availability of beds at Facility for use by proposed transfer patients.

13.2. Nothing in this Agreement shall be construed as limiting the right of either party to contract with any other health care facility or institution while this Agreement is in effect or thereafter.

14. GENERAL PROVISIONS.

14.1. This Agreement constitutes the entire Agreement between the parties and supersedes all prior Agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

14.2. This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Mississippi without reference to the principles of choice or conflict of law.

14.3. No failure or omission by the parties hereto in the performance of any obligation of this Agreement shall be deemed a breach of this Agreement nor shall it create any liability if the same shall arise from any cause or causes beyond the reasonable control of the affected party, including but not limited to, the following, which for purposes of this Agreement shall be regarded as beyond the control of the party in question: acts or omission of any government; any rules, regulations, or orders issued by any governmental authority or by any officer, department, agency, or instrumentality thereof; fire; storm; flood; explosions; earthquake; other acts of God; accident; war; rebellion; vandalism; insurrection; riot; invasion; strikes; labor lockouts; and failure of transportation, machinery or supplies; provided, the party so affected shall use its best efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

14.4. This Agreement may not be assigned without the prior written consent of both parties.

14.5. If any provision of this Agreement shall be held to be invalid, illegal or otherwise unenforceable, the validity, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

14.6. The failure of either party at any time to require performance by the other of any provision of this Agreement shall in no way affect that party's right to enforce such provision, nor shall the waiver by either party of any breach of any provision of this Agreement be taken or held to be a waiver of any further breach of the same provision or any other provision.

14.7. Any attachments referenced in this Agreement are an essential part of the Agreement of the parties, and shall be considered for all purposes a part of this Agreement. Any and all counterparts, photocopies, or other reproductions of this Agreement shall include all of its attachments attached thereto and made a part thereof.

14.8. This Agreement shall not be construed against the party or parties preparing it. It shall be construed as if all the parties and each of them

jointly prepared this Agreement, and any uncertainty or ambiguity shall not be interpreted against one or more parties.

14.9. Neither party shall use the name of the other in any promotional, fund raising or advertising material unless approved in writing by the party whose name is to be so used.

14.10. Baptist and Facility shall each designate an appropriate person to act as liaisons between the two parties regarding this Agreement.

Each signatory represents that he/she has the authority to enter into this Agreement.

BAPTIST MEMORIAL HOSPITAL – DESOTO

By: 

Printed name: Mark L. Hutchison

Title: CEO

Date: 7/29/2011

BAPTIST MEMORIAL HOSPITAL-GERMANTOWN

By: 

Printed name: Susan W Stralka

Title: CEO

Date: Aug 11, 2011

17. Section C, Contribution to Orderly Development, Item 7 (b)

Please clarify if the applicant is currently accredited by the Joint Commission or CARF. If so, please provide documentation of the latest site survey.

If the facility is not currently accredited by the Joint Commission or CARF, what is the cost and has it been factored in the Projected Data Chart?

Response:
The applicant is a new hospital and is not accredited at this time. As described in responses to other questions, the applicant intends to be accredited by both the Joint Commission and CARF. As the majority partner, Baptist Memorial Health Care anticipates that the new hospital will be Joint Commission accredited with the established contract for entities within the system. The costs for accreditation are recognized by the applicant and are included in development of the new hospital.

Joint Commission and CARF accreditation documents for Baptist Rehabilitation-Germantown follow this page.

SUPPLEMENTAL- # 1
December 27, 2012
2:41pm

AFFIDAVIT

2012 DEC 27 PM 2:39

STATE OF TENNESSEE

COUNTY OF SHELBY

NAME OF FACILITY: Baptist Memorial Rehabilitation Hospital

I, ARTHUR MAPLES, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Arthur Maples, Dir Strategic Analysis
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27th day of December, 2012, witness my hand at office in the County of Shelby, State of Tennessee.

Paulette E. Kearney
NOTARY PUBLIC

My commission expires My Comm. Exp. August 21, 2016.

PAULETTE E. KEARNEY
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY

HF-0043

Revised 7/02